

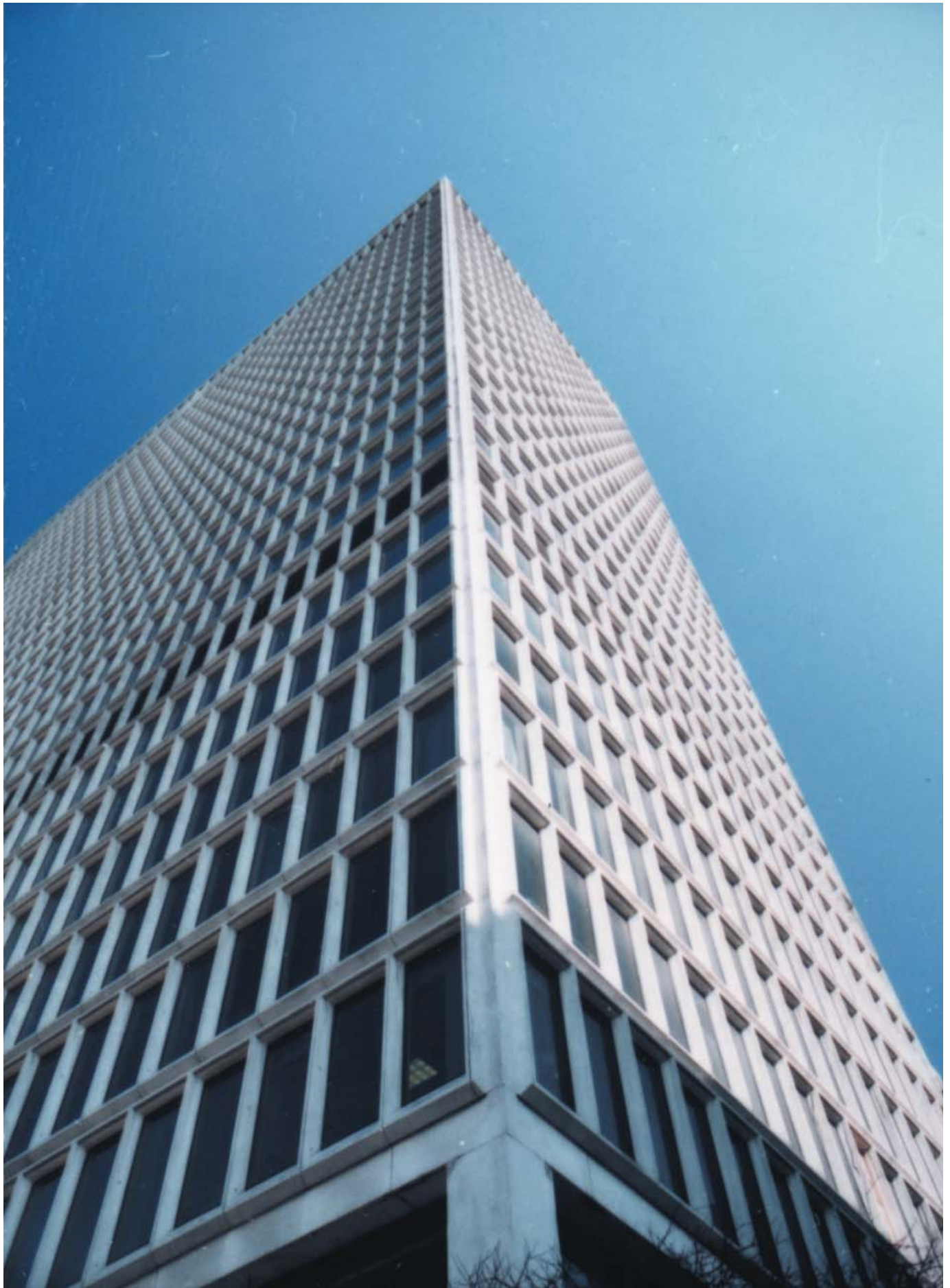
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# *Annual Report 2007*



*United States Attorney's Office  
Eastern District of Michigan*

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*U.S. Attorney's Office - Eastern District of Michigan  
211 W. Fort Street, Detroit, Michigan 48226*

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# Dedication



AUSA Mike Wicks retired from the U.S. Attorney's Office in 2007 after more than 30 years as an Assistant U.S. Attorney and 23 years as Chief of the Civil Division. Mike's record is without parallel as an exemplary leader of the Civil Division and a trusted counselor to the U.S. Attorney. Under Mike's oversight, the operations of the Civil Division expanded in size, complexity and variety. A highly effective and beloved manager of people, Mike also kept a large case load of active litigation matters throughout his career. We are grateful for the example he gave us, and we proudly dedicate the 2007 Annual Report of the U.S. Attorney's Office for the Eastern District of Michigan to L. Michael Wicks.



# Letter from the U.S. Attorney



To All Those Interested in the Work of the Office:

We are very pleased to present a 2007 Annual Report on the progress and activities of the Office of United States Attorney for the Eastern District of Michigan over the past year. For the third straight year, many substantial accomplishments are described in these pages, all of which are a lasting tribute to the hard work, professionalism, and dedication of the attorneys and supporting personnel who make our office as great as it is.

Since I became United States Attorney in March 2005, our office has unstintingly carried out its function of prosecuting criminal cases and very significant civil matters in a fair, even handed and highly professional manner. In many important, traditional and not so traditional areas, from preventing the outbreak of terrorist activity to the protection of children from online predators; from human trafficking and trade secret theft to violent crime and important narcotics and white collar criminal matters, to ensuring security for the disadvantaged, minorities and others who need and have the protections of federal civil rights laws, this Office has pursued, and is continuing to pursue, significant investigations, prosecutions and other matters. I am proud of our successes.

In addition to these significant cases, we had some exciting developments in other important areas as well. We continue to work hard to be present and, in fact, a positive presence, in all facets of our large and diverse community. We have worked with community groups on violence reductions strategies and we have taken pains to educate those who may have access to federal civil rights protections. We successfully hosted the nationwide Weed and Seed conference in August, 2008 and had an excellent week of meetings with a DoJ evaluation team.

Formal training and continuing legal education efforts aimed at furthering the development of all AUSAs are being continually developed and executed for the full benefit of all our employees.

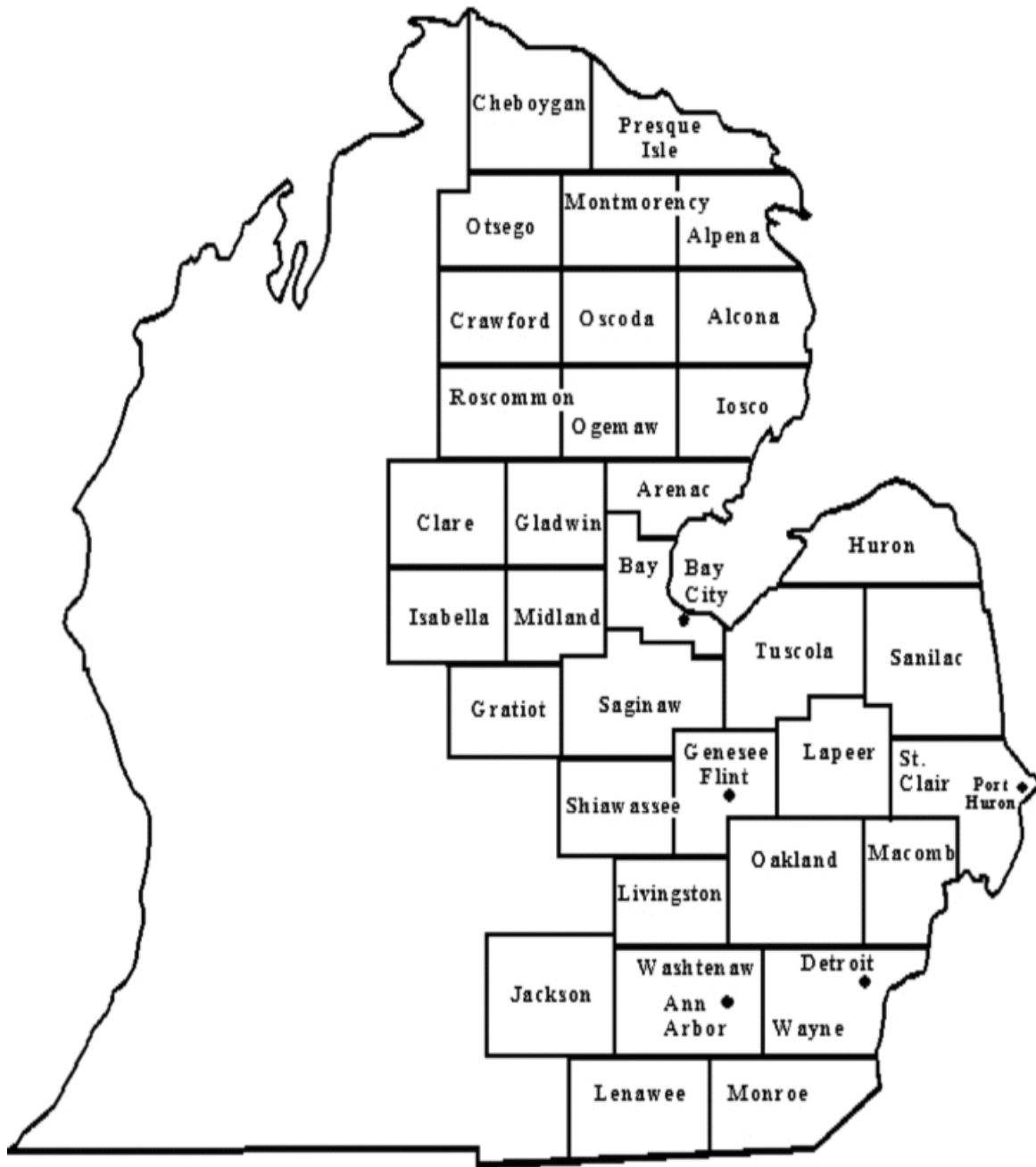
As usual, I personally met with all units and branches in the district as well as with a myriad of outside law enforcement personnel. I believe we should see ourselves not only as attorneys and prosecutors in the district, but as effective leaders, both in our office and in our community at large. A number of men and women have gone above and beyond the call of duty to truly lead this office, and I think you will see that leadership on full display in the accomplishments described in this report.

In 2008, we will continue to pursue our number one priority, fighting domestic and international terrorism, both to protect our community and to prevent future attacks. We will also work hard on our other priority areas, including pursuing those who would harm our children, all federal civil rights matters, drug trafficking, violent and repeat firearms offenders, corporate and health care fraud, and continued community outreach. I look forward to working with you to meet these daily challenges.

Sincerely,

A handwritten signature in blue ink, which appears to read "Stephen J. Murphy". The signature is stylized with a large, sweeping initial "S" and "M".

Stephen J. Murphy  
United States Attorney



*Map of Counties in the Eastern District of Michigan*



## **US Attorney's Biography - Stephen J. Murphy, III**



Stephen J. Murphy, III, was nominated by President George W. Bush for the position of United States Attorney for the Eastern District of Michigan on February 17, 2005, and confirmed by unanimous consent of the U.S. Senate on June 8, 2005.

As U.S. Attorney, Mr. Murphy oversees offices in Detroit, Flint and Bay City, which comprise approximately 100 Assistant U.S. Attorneys and a similar number of support staff. He has identified office prosecutorial priorities in the areas of counter-terrorism, public corruption, child protection, illegal narcotics enforcement, and violent crime. The U.S. Attorney has also developed strategies for partnering with citizens in educational efforts to reduce crime and to develop highly effective firearms and violent crime initiatives under the President's Project Safe Neighborhood program. Mr. Murphy has also pioneered the development of a Child Protection Initiative, which marshals federal, state and local resources to fight child pornography and online child solicitation as a part of Project Safe Childhood.

Prior to his service as United States Attorney, Mr. Murphy was an attorney with the General Motors Legal Staff in Detroit, where he specialized in litigation, internal investigations, counseling on various business law issues and other "white collar" matters. Mr. Murphy was previously with the U.S. Department of Justice for more than twelve years: first as a trial attorney with the Civil and Tax Divisions in Washington, D.C. (hired by Attorney General Meese under the prestigious Honors Program), and then as a federal prosecutor in Detroit from 1992-2000. During his tenure as an Assistant U.S. Attorney, Mr. Murphy prosecuted and tried various violent, narcotics and white-collar criminal cases in Detroit. He has served as a public arbitrator for the National Association of Securities Dealers.

A 1987 graduate of the St. Louis University School of Law (where he helped edit the Law Review), Mr. Murphy is also active in legal and community affairs: he served as a member of the Michigan State Bar Board of Commissioners and sat on a committee appointed by the Michigan Supreme Court to revise the Michigan Rules of Criminal Procedure.

## *Mission Statement*

*United States Attorney's Office  
Eastern District of Michigan*

*Our mission is to serve justice by prosecuting federal crimes and representing the United States of America in federal court with diligence, fairness, and integrity. For us, doing right and upholding the letter and spirit of the Constitution and laws of the land are not only more important than prevailing in any single case, they are the standards by which we measure the success of every case.*

## **OFFICE OF THE UNITED STATES ATTORNEY**



*Executive Office*

The United States Attorneys serve as the nation's principal litigators under the direction of the Attorney General. There are 93 United States Attorneys stationed throughout the United States, Puerto Rico, the Virgin Islands, Guam, and the Northern Mariana Islands. United States Attorneys are appointed by, and serve at the discretion of, the President of the United States, with the advice and consent of the United States Senate. One United States Attorney is assigned to each of the judicial districts, with the exception of Guam and the Northern Mariana Islands, where a single United States Attorney serves in both districts. The United States Attorney is the chief federal law enforcement officer of the United States within his or her particular jurisdiction.

United States Attorneys conduct most of the trial work in which the United States is a party. The United States Attorneys have three statutory responsibilities under Title 28, Section 507 of the United States Code:

- the prosecution of criminal cases brought by the federal government;
- the prosecution and defense of civil cases in which the United States is a party; and

- the collection of debts owed the federal government

Although the distribution of caseloads varies between districts, each has every category of cases and handles a mixture of simple and complex litigation. Each United States Attorney exercises wide discretion in the use of his/her resources to further the priorities of the local jurisdictions and the needs of their communities. United States Attorneys have been delegated authority and control in the areas of personnel management, financial management, and procurement for their offices.

\* \* \* \*

## ***A VIEW FROM HISTORY* CAREERS BEFORE AND AFTER: UNITED STATES ATTORNEYS AND THEIR ASSISTANTS**

The United States Attorney is a public servant, appointed by the President of the United States to represent the government in federal court in criminal and civil cases. But what about the person behind the position? This article explores both the background of the individuals who have become United States Attorneys in the Eastern District of Michigan, as well as the course of their careers after they left the Office. The article also discusses the career paths taken by Assistant U.S. Attorneys upon their departure from the Office. As to all these public servants, where did they come from and where did they go?

An examination of the fifty-one men who have been United States Attorneys in the District of Michigan (1815-1863), prior to its division, and the Eastern District of Michigan since that time, demonstrates a wide variety of legal practices and public service which prepared them for their appointments. The overwhelming majority grew up in Michigan and practiced law in the state prior to the beginning of their term. Most had been involved in politics in the party of the President

who appointed them. The background of seven of them was exclusively the practice of law. The one generalization about the remaining 44 is that they had also been engaged in some form of public service prior to their appointment:

Assistant U. S. Attorney	19
State and Local Government	14
State Prosecutor	14
Military Service	13
State Legislator	9
Teacher	6
Congress	3
State Judge	3

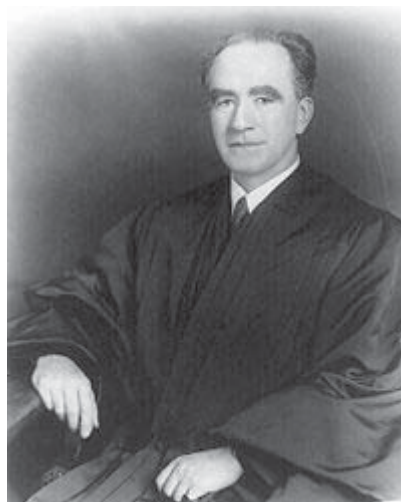
Several of them had been in more than one of these positions.

Not surprisingly, except for two attorneys who died in office, and two who are still in the U. S. Attorney's Office as of this writing, the great majority of the remaining 47 practiced law at some point after their term. Twenty-five of them did that exclusively and held no other public office. The remaining majority, however, held at least one, and sometimes several, other public offices after their terms:

Federal Judge	6
State Lower Court Judge	6
Michigan Supreme Court	4
Department of Justice	4
State Prosecutor	3
Michigan Attorney General	2
Congress	2
Lt. Governor	2
U. S. Commissioner	1

In addition to these positions, former U. S. Attorneys are typically involved in a host of bar association, civic, religious, and charitable activities.

The three common factors in these backgrounds have been politics, public service, and the practice of law. Each of these themes,



Justice Frank Murphy

no doubt, has been important in understanding where they came from, where they went, and the contribution they made to the development of the rule of law in the district.

The U. S. Attorney's Office has also proven to be fertile ground for

the development of future leaders in the bar and public office from the ranks of former Assistant United States Attorneys. Predictably, Assistants scatter to a variety of professional callings after they complete their service as government attorneys in Eastern Michigan. A survey taken in 2007 indicated that there were approximately two hundred, living former Assistants, the great majority of whom continued to practice law. About half of this number went directly from the Office to the practice of law in a firm and have continued in that career to the present time. Eighteen per cent have served at least a substantial part of their time as prosecutors, most as Assistants in other districts. The third category, representing about 12 %, are state and federal judges. The raw numbers of the primary careers of former Assistants are as follows:

Private practice	96
Prosecutor	36
Federal	31
State	5
Judge	27
Federal	13
State	14
Corporation Counsel	14
Government Counsel	12
Teaching	7
Retired after Office	6



The first Assistant U. S. Attorney, Henry B. Brown, who was appointed in the early 1860s, eventually became a Justice of the United States Supreme Court. His early experience in admiralty law can be traced in several of his opinions for the Court. Another Assistant, Frank Murphy, who was in the Office from 1919-1921, also served on the Supreme Court. His tenure in the U. S. Attorney's Office also left a lasting impact on him, in his appreciation of the devastating effects of a criminal prosecution, as well as the need for aggressive pursuit of violent and professional criminals.

Geographically, the great majority, over 60 %, of former Assistants remain in Michigan. Other states with significant numbers include: the District of Columbia (8 %), Florida (6%), and California (6 %). The numbers, as of 2007, are as follows:

Michigan	124
District of Columbia	16
Florida	12
California	12
Other states	30

The nature of the job as an Assistant United States Attorney has changed considerably since the first appointment in the middle of the 19th Century. For the first hundred years, the position was part-time, political, and provided an opportunity for a young lawyer to start a practice. By the time of the Second World War, although outside employment was still permissible, an Assistant's duties increasingly consumed the majority of his time. When U. S. Attorney Ralph B. Guy eliminated politics from the selection process in the 1970s, the position became, for many Assistants, a career choice. The average tenure went from about two years in 1975 to over twenty years by the end of the century. Although no Assistant had retired on the job until 2003,

within a few years more than a dozen were eligible because they had served the thirty-year requirement.

What has made the job as an Assistant U. S. Attorney so attractive that men and women make it their career in this district? Numerous studies have shown that the salary, although adequate, is well below comparable positions in private practice. With some notable exceptions, the position is no longer a stepping stone to a prominent political career that it once was. Nor can many Assistants expect to develop a reputation as a trial attorney which will lead to "deep pocket" clients or wealthy firm partnerships. However, there continue to be dozens of highly qualified applicants for every opening in the Office, and the career tenure trend continues unabated.

There are many aspects which make the position of being an Assistant a prize opportunity for an attorney. First, there is great job satisfaction and a sense of patriotism and fulfillment in serving one's country in this particular public service. Important principles, people's lives and freedom, and crucial decisions are all entrusted to Assistants every day. Second, an Assistant is not burdened with searching for clients to pay the



*First Federal Building*



bills, keeping them mollified, collecting the fee, or maintaining billable hours. He or she is charged with investing the time and energy to resolve each case with excellence, without regard to pecuniary considerations or even whether the government prevails in a particular case. Within a few weeks of taking the oath, an Assistant is given full responsibility for her or his caseload. There is no apprentice period of servicing the needs of more senior attorneys.

Finally, at least in the Eastern District, Assistants are fortunate, for the most part, to enjoy favorable, civil and, often, friendly relations with people with whom they have daily contact. Assistants who travel to other districts to participate in investigations or litigation are almost unanimous, on their return, in expressing newfound gratitude that this district is an unusually agreeable place to practice law. Relationships with investigative agents are overwhelmingly positive and productive. Likewise, communication and dealings with opposing counsel, although often spirited and adverse, are commonly civil, respectful, and productive. Similarly, although every trial attorney has occasional rugged days in court, relations between the Office and the district court bench are normally congenial. The same can be said for dealings with court staff, Probation and Pretrial Services Officers, the Clerk's Office and others with whom Assistants have regular contact. For these reasons, and probably others, the opportunity to become, and remain, as an Assistant U. S. Attorney continues to be a "plum."

— by Ross Parker, Former  
Assistant U.S. Attorney

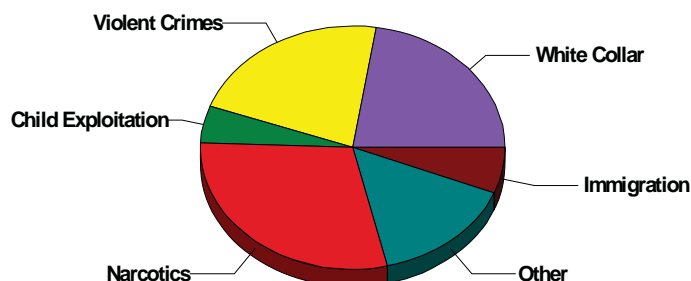
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## OFFICE STRUCTURE

### CRIMINAL DIVISION

## Criminal Cases Filed

Fiscal Year 2007



Assistant U.S. Attorneys in the Criminal Division are assigned to one of five units, each responsible for prosecuting certain categories of federal crimes.

The largest single unit is the Controlled Substance Unit which prosecutes major narcotics traffickers with an emphasis on conspiracies responsible for importation and distribution of substantial quantities of illegal drugs. The majority of attorneys in this unit are members of the Great Lakes Region of the Organized Crime and Drug Enforcement Task Force. The task force conducts investigations of selected conspiracies with the emphasis on detecting and seizing the financial assets of major drug traffickers.

The Economic Crime Unit conducts investigations and prosecutions of a wide variety of white collar crimes, including large-scale fraud upon businesses and individuals, large-scale fraud involving identity theft, fraud upon government programs, health care fraud, corporate fraud, computer crime, and criminal intellectual property violations. The cases

handled by this unit frequently involve lengthy investigations, complex financial analysis, and voluminous document examination.

The General Crimes Unit is responsible for a wide variety of offense categories, including firearms, child sexual exploitation and pornography, immigration, bank robbery, embezzlement, counterfeiting, smuggling, food and drug, and Postal violations. It is a higher volume unit, and many of the newer prosecutors are assigned to this component.

The Special Prosecutions Unit prosecutes corruption by public officials, offenses committed by traditional organized crime networks and emerging organized groups involved in criminal activity, environmental offenses, criminal violations of civil rights laws, including human trafficking and non-drug money laundering.

The National Security Unit investigates and prosecutes matters involving national security including individuals and organizations that engage in foreign intelligence activities, espionage, and those who plan, financially support, or carry out international and domestic terrorist activities. Consistent with its national security responsibilities, the Unit Chief serves as the primary point of contact for all counter-proliferation investigations involving unlawful strategic technology transfers and other violations of control export laws. The unit also has primary responsibility for coordinating the investigation and prosecution of certain transnational organized crime groups involved in alien smuggling, cash smuggling, and the operation of illegal unlicensed money transmitting businesses.

\* \* \* \*

## CIVIL DIVISION

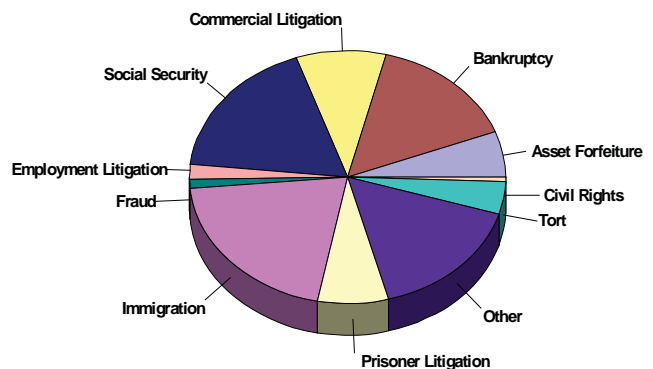
The Civil Division handles an extensive civil case load consisting of the largest number of actively pending federal litigation files to be found among the major law firms in the metropolitan area. The Civil Division is divided into two components.

The Affirmative Litigation Section is responsible for all civil cases in which the United States is seeking some type of monetary recovery and/or compliance with federal program requirements. This component handles judgment enforcement, civil penalty cases brought by other agencies, bankruptcy, asset forfeiture, and various civil fraud cases.

The Defensive Litigation Section defends lawsuits brought against the federal government. These suits include constitutional torts, medical malpractice, and other tort actions, defense of federal programs and agency decisions, employment discrimination cases, information law cases, immigration cases, and commercial, Social Security, prisoner, environmental, civil rights, and tax litigation.

\* \* \* \*

## Civil Cases Filed Fiscal Year 2007



## **APPELLATE DIVISION**



*Appellate Division Staff*

The Appellate Division serves as the editorial board of review for the entire office. The Assistant originally assigned to a case generally remains responsible for that case during its entire life in the office. In criminal cases, this means from the onset of an investigation through the grand jury investigation, indictment, trial, appeal, and even post-conviction claims. In the Civil Division, it means from the beginning of the lawsuit through judgment enforcement and appeal. All appellate briefs, however, are reviewed by the Appellate Division both for soundness of legal analysis and for correctness and effectiveness of form. Assistants in the Appellate Division also directly handle both criminal and civil appeals in sensitive or difficult cases. In addition, the Appellate Division acts as “house counsel” to the U.S. Attorney and other Assistants on complex or unusual legal issues.

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## **ADMINISTRATIVE DIVISION**

The Administrative Division is responsible for planning and executing a comprehensive range of administrative services that support office

operations. These services include overseeing the office's budget allocation, providing comprehensive personnel services to employees, maintaining information technology systems, coordinating automated litigation support services, procuring supplies and equipment, and managing property and facilities at three separate staffed office locations (Detroit, Flint, and Bay City).

The Fiscal Unit manages the office's operating budget. This entails executing, monitoring, and reporting quarterly budget activity and ensuring that any unexpected expenditures are funded through special one-time funding requests. The unit manages the office's credit card programs for both travel and small purchases. The unit also is responsible for managing the payroll budget to ensure that hiring decisions are within allocated funding levels. On an ongoing basis, the budget is closely monitored to ensure that payments are made in a timely manner and that funds are allocated in the best way to meet the office's operational needs, especially in the area of litigation.

The Human Resources Unit provides a myriad of personnel services to support a staff of approximately 200 employees. The scope of the office HR program includes the following: staffing and placement; classification and position management; employee benefits and services; performance management; pay administration;



*Administrative Division Staff*



personnel action processing, records maintenance and associated legal reporting requirements; pre-appointment security clearances; overall monitoring of employee orientation, training and development; development and implementation of AA/EEO programs; and advisory services for supervisors and managers.

The Information Technology Unit oversees operation of this office's computer systems. A large local area network that connects almost 200 PCs in the office is maintained by the unit. A help desk is staffed to assist users with hardware, software, and telecommunications difficulties. The IT unit's webmaster maintains an internal intranet to provide on-line resources to the entire staff, as well as the district's Internet site. The Information Technology Unit provides technical oversight of the office's case management system. This information database tracks defendants coming into the federal legal system.

The Automated Litigation Support Unit is responsible for recommending, supporting, and educating employees on the use of technology to further the Eastern District of Michigan's efforts in various criminal and civil matters. The goal is to increase efficiency, decrease costs, and facilitate user-friendly data management and presentation. One of the unit's essential functions is consulting with Assistant U.S. Attorneys, paralegals, legal assistants, and federal agents/investigators to understand and address their software and hardware needs in managing and presenting documents and evidence. The ALS unit balances the requests of the litigation team with its capabilities, and provides a reasonable, automated approach to litigation management.

The Office Services Unit manages any necessary redesign of existing space and is responsible for ensuring that every square foot of space in the office is used with maximum efficiency. Staff assigned to Office Services assist in the acquisition, operation, and maintenance of all non-computer equipment, supplies and

services, control an extensive property inventory, and coordinate records management functions. The unit also manages the receipt/delivery of mail and reception services. Finally, the unit provides direct support to the district's security manager and ensures that all physical security systems are maintained and all personal and records security requirements are met.

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### **BRANCH OFFICES**

Branch offices in Bay City and Flint represent the office in litigation for the Eastern District north of metropolitan Detroit. The operations of the branch offices are under the supervision of a single senior supervisory AUSA. The Assistant U.S. Attorneys in Flint and Bay City are responsible for a range of civil, criminal, and appellate matters.



*Bay City, Michigan Office*

The Bay City Branch Office is responsible for the Northern Division of the Eastern District. The Northern Division includes 21 counties in the northeastern portion of the lower peninsula of the state that extends from Saginaw County at the southern end to Cheboygan County at the northern end. The criminal cases range from petty offenses committed in the Huron National Forest to any homicides that occur in the Saginaw-Chippewa Indian Reservation located near Mt. Pleasant, and includes any other federal crimes committed within its geographical area.



United States Courthouse, Flint, Michigan

The Flint Branch Office represents the government in all criminal and civil litigation arising in Genesee, Lapeer, Shiawassee, and Livingston counties. The most frequent prosecutions are controlled substance and firearms offenses. In recent years, the Flint office has prosecuted an increasing number of financial institution frauds; prescription drug mills; medical billing frauds; and Internet child pornography offenses. The Flint Branch also supports two "Weed & Seed" sites and is active in Project Safe Neighborhoods.

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## 2007 CASE HIGHLIGHTS

### NATIONAL SECURITY CASES

#### **ILLEGAL ALIENS PENETRATE FBI, CIA, AND U.S. MARINE CORPS VIA CITIZENSHIP FRAUD**

Lebanese nationals Nada Nadim Prouty, Samar Khalil Spinelli, and Elfat El Aouar conspired to fraudulently obtain their U.S. citizenship through sham marriages. With the assistance of Spinelli and El Aouar, Nada Prouty then utilized her fraudulently procured U.S. citizenship to obtain employment with the Federal Bureau of Investigation and, later, with the Central Intelligence Agency. Prouty abused her position at the FBI by unlawfully accessing classified information about Hizballah, the Iranian-backed Lebanese terrorist organization, after her sister and co-conspirator

El Aouar attended a fundraising event in Lebanon with specially designated global terrorist and chief Hizballah spiritual leader, Sheikh Mohamad Hussein Fadlallah. Samar Spinelli made use of her fraudulently procured U.S. citizenship to gain a commission as a captain in the U.S. Marine Corps. After the plot was uncovered, Nada Prouty pleaded guilty to conspiracy to defraud the United States, naturalization fraud, and unauthorized computer access; Samar Spinelli pleaded guilty to the conspiracy and passport fraud; and Elfat El Aouar pleaded guilty to the conspiracy and naturalization fraud. This is the only known case of an illegal alien with connections to a foreign terrorist organization successfully infiltrating U.S. intelligence agencies. *United States v. Prouty, et al.*

\* \* \* \*

#### **DEARBORN MAN PLEADS GUILTY TO PROVIDING MATERIAL SUPPORT TO HIZBALLAH**

Fawzi Assi pleaded guilty to providing material support to Hizballah, a designated foreign terrorist organization. Assi admitted that he attempted to board an airplane at Detroit Metro Airport on an international flight for Lebanon and had in his possession two Boeing global positioning satellite modules. He also had night vision goggles and a thermal imaging camera in his luggage. He was attempting to deliver these items to a person in Lebanon, who was purchasing the equipment for Hizballah. *United States v. Assi*

\* \* \* \*

#### **FINANCE MANAGER OF "LASHISH" RESTAURANT, WIFE OF OWNER, SENTENCED ON TAX EVASION CHARGES**

The financial manager of the LaShish restaurant chain, Elfat El-Aouar, was sentenced to 18 months in prison following her plea of guilty to aiding and abetting income tax evasion. El-



Aouar was indicted along with her husband, Talal Chahine, the owner of the restaurant chain. The defendants were charged with skimming \$20 million in profits by maintaining a second set of books. To evade detection, cash was converted into cashier's checks and sent to Lebanon. Evidence was presented during a detention hearing that Chahine attended a Hizballah fundraising event in Lebanon. Photographs showed Chahine talking with Sheik Muhammad Hussein Fadlallah, the spiritual leader of Hizballah, a designated terrorist group. Chahine is a fugitive and believed to be in Lebanon. *United States v. Chahine*

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#### **BROTHER AND SISTER INDICTED FOR VIOLATING U.S. EMBARGO ON FORMER SADDAM HUSSEIN REGIME IN IRAQ**

Two siblings were indicted for exporting telecommunications and GPS equipment to Iraq during an embargo with that country, along with related charges. Charged in the indictment were Dawn Hanna and her brother Darrin Hanna. Darrin Hanna is the president and sole owner of Technology Integration Group Services, Inc. ("TIGS"), a Rochester company. Dawn Hanna is employed by TIGS as the director of sales and marketing. The ten-count indictment charges that the Hannas conspired with others to obtain and ship the components for a mobile telecommunications network and GPS equipment to Iraq. The shipments came during the administration of Saddam Hussein in the period leading up to the 2003 invasion by coalition forces. The indictment also alleges that the Hannas conspired to launder money in connection with the conspiracy. According to the



indictment, the Hannas received approximately \$9.5 million from their dealings, which they used to pay suppliers, a middle man, and themselves. Dawn Hanna is also charged with making false statements to investigators. *United States v. Hanna et al.*

\* \* \* \*

#### **STERLING HEIGHTS MAN CHARGED WITH SPYING FOR FORMER IRAQI GOVERNMENT**

A Sterling Heights man was charged with acting as an agent of the Iraqi Intelligence Service under the government of Saddam Hussein. Najib Shemami is accused of conspiring with others to act as an agent of the government of Iraq without notification to the Attorney General of the United States, as required by law. The indictment alleges that Shemami traveled from Michigan to Iraq on several occasions and met with officers of the Iraqi Intelligence Service ("IIS") before the March 2003 invasion of Iraq by coalition forces. During these meetings, the indictment alleges, Shemami reported information relating to the activities of Iraqi expatriates in the United States, potential candidates for political office in Iraq, and U.S. and Turkish military activities he had observed in Turkey before the U.S. entry into Iraq in 2003. *United States v. Shemami*

\* \* \* \*

#### **DEARBORN MAN SENTENCED ON CHARGES OF ACTING AS AGENT FOR FORMER IRAQI GOVERNMENT**

A Dearborn man was sentenced to 18 months in prison for acting as an agent of the government of Iraq under the former regime of Saddam Hussein. Ghazi Al-Awadi, a naturalized U.S. citizen born in Iraq, obtained information in the

United States about individuals and groups opposed to Saddam Hussein and then provided that information to the Iraqi Intelligence Service ("IIS") in Iraq. Al-Awadi acted as an agent of the government of Iraq without notifying the Attorney General as required by law. Between 1997 and 2002, Al-Awadi collected and provided to the Iraqi Intelligence Service names and pictures of opposition members in the United States, a draft of the rules of the Iraqi Muslim Students Union in Canada and in the United States, information he collected on refugees coming to Dearborn, Michigan, and an audio cassette of a conversation between himself and Iraqi opposition members in the United States. The IIS assigned him a code name, a secret password for use in contacting him, and an international telephone connection between the IIS in Iraq and the defendant's home phone in Michigan. *United States v. Al-Awadi*

\* \* \* \*

### **17 SENTENCED IN LARGE BANKRUPTCY "BUST- OUT" SCHEME**

Seventeen defendants were sentenced for their role in a large-scale scheme to defraud numerous credit card companies, banks, mortgage lenders, and the bankruptcy court. The sentences ranged from 74 months to probation. According to documents filed in the case, from March 1999 through April 2004, the defendants defrauded numerous creditors and the bankruptcy court through a large-scale credit card "bust out" scheme. As part of the scheme, Ali Farhat and Abdulmir Berro, aided by Sadek Berro, used their companies to process over \$1 million in credit card transactions for other defendants in exchange for cash and discounted merchandise, knowing that payment would not be made for the charges. The credit card companies and banks transferred funds to Ali Farhat and Abdulmir Berro in the amount of the charges to the credit cards but ultimately never received payment from the defendant credit card holders. The defendants maximized the value

they could obtain from the credit cards by making charges on the cards, submitting non-sufficient funds checks to free up the available credit on the card, and then making additional charges on the cards before the card issuers became aware that the checks were worthless. The defendants then took steps to evade collection efforts by declaring bankruptcy so creditors could not attach assets or otherwise collect on amounts owed. Through their bankruptcy proceedings, the defendants sought to avoid payment of nearly \$3 million in debt. Defendants also concealed assets from the bankruptcy court; many of the defendants "sold" their homes to their wives or adult children, who made fraudulent statements to qualify for mortgage loans. Some of the defendants also engaged in financial transactions designed to conceal assets and funds from the bankruptcy court and creditors. The credit card holder defendants then declared bankruptcy to avoid payment of nearly \$3 million dollars in debt. The investigation revealed that Farhat was involved in sending money to Hizballah on behalf of others. *United States v. Farhat, et al.*

\* \* \* \*

### **ELEVEN SENTENCED IN MAJOR ALIEN SMUGGLING RING**

Eleven of eighteen defendants have been sentenced in a case involving a conspiracy to smuggle illegal aliens into the United States across the Canadian border. The charges were based upon the interdiction of at least 78 illegal aliens smuggled into the

United States by the organization and the more than 2,000 incriminating telephone conversations, in four different languages, intercepted by the Royal Canadian Mounted Police (RCMP) during



the latter part of 2005. Investigators estimate that the conspiracy was responsible for approximately 75% of all aliens smuggled into the State of Michigan from Ontario, Canada, during the past several years, certainly numbering in the hundreds. Alien smuggling into Michigan from Ontario has slowed significantly since the joint U.S./Canada take down on February 14, 2006. The case marked an unprecedented level of U.S. and Canadian law enforcement cooperation. *United States v. Rashem, et al.*

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#### **FOUR PEOPLE CHARGED WITH VARIOUS IMMIGRATION OFFENSES**

Mohamad Abdul Mohi pleaded guilty to charges of procuring his United States citizenship by fraud. The facts presented to the court at the time of the plea established that Mohi lied orally and in writing to immigration authorities about his prior arrest for criminal sexual conduct and furnishing alcohol to a minor. As part of Mohi's plea agreement, Mohi will be deported to India after sentencing. *United States v. Mohi*

Ali Fouad Ayache was sentenced on marriage fraud charges and simultaneously ordered deported to Lebanon. Ayache, a Lebanese national, committed marriage fraud when he entered into a sham marriage with a United States citizen in 2002 for purposes of evading U.S. immigration laws. Ayache lied about the marriage fraud to federal agents and also attempted to persuade his putative wife to lie to federal officials about the marriage. *United States v. Ayache*

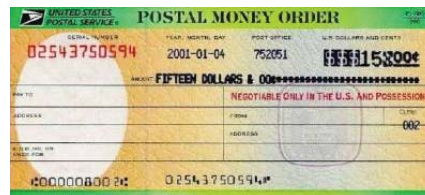
Mohamad Mustapha Harajly was charged in an indictment with unlawfully procuring his United States citizenship through fraud and false statements. It is alleged that Harajly, a Lebanese national, unlawfully and fraudulently procured his United States citizenship by failing to disclose and falsely denying his affiliation with

the designated foreign terrorist organization, Hizballah, on immigration documents. *United States v. Harajly*

Rula Nadim Al Aouar, a Lebanese national, is alleged to have unlawfully and fraudulently procured her United States citizenship by offering cash to a U.S. citizen to engage in a marriage fraud with her in 1992, and then engaging in numerous acts of perjury, false representations, and forgery in furtherance of the fraud. Additionally, Al Aouar allegedly sought asylum by claiming to have been persecuted by the Lebanese foreign terrorist organization, Hizballah. After committing a series of alleged fraudulent criminal acts unbeknownst to U.S. immigration authorities, Dr. Al Aouar ultimately obtained U.S. citizenship in 2000. *United States v. Al Aouar*

#### **FLORIDA MAN PLEADS GUILTY TO STRUCTURING FINANCIAL TRANSACTIONS TO YEMEN TO EVADE REPORTING REQUIREMENTS**

Hasan Qasem, a resident of Tampa, Florida, pleaded guilty to conspiracy to violate the Travel Act, 18 U.S.C. § 1952. From March 2004 to June 2004, the defendant purchased numerous money orders in the Tampa, Florida area, structuring the purchase of those money orders so as to evade record-keeping requirements for money order establishments. The defendant mailed the money orders to individuals at a travel agency located in Dearborn, Michigan, to transmit the funds to Yemen. In total, the defendant provided \$53,000 to the travel agency for purposes of sending the money to Yemen. *United States v. Qasem*



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## MAJOR NARCOTICS CASES



Controlled Substance Unit

### INTERNATIONAL DRUG TRAFFICKING ROUTE SHUT DOWN

Thirteen people were arrested, more than 1,000 pounds of high-quality marijuana (with a wholesale value of over \$4 million) was seized, along with 41 kilograms of cocaine and \$350,000 as part of an international drug bust. Federal agents, together with law enforcement from Canada, uncovered a new drug smuggling route from the Toronto, Canada area into Michigan through St. Joseph Island, Ontario. The alleged smuggling route involved individuals driving from the metro Detroit area to the Upper Peninsula of Michigan, in the general vicinity of Sault Ste. Marie, and returning with marijuana that was smuggled from Canada into the United States. In addition to the arrests and seizures in Michigan, 24 people were arrested on the Canadian side of the border for numerous drug and weapons-related offenses, along with large seizures of U.S. and Canadian currency, marijuana, and cocaine. *United States v. Davis*

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### MEMBERS OF THE "OUTLAWS MOTORCYCLE CLUB" INDICTED ON VIOLENT CRIME, DRUG, AND GUN CHARGES

Sixteen members of the Outlaws Motorcycle Club were indicted on charges including violent crime in aid of racketeering, illegal drug distribution, and gun violations. The Outlaws have been identified as an international criminal organization whose members and associates engage in acts of violence including murder, attempted murder, assault, narcotics distribution, and firearms and gambling offenses. The 18-count indictment alleges that the Outlaws Motorcycle Club is an enterprise whose members committed, attempted, and threatened to commit acts of violence to protect and expand the gang's criminal operations. Several of the defendants were charged with allegedly assaulting various members of the rival Hells Angels Motorcycle Club, in some cases with dangerous weapons including a cane, a hammer, and motorcycle parts. Several defendants trafficked in the sale of drugs, including methamphetamine, marijuana, hashish, and cocaine, while others were charged with various firearms offenses for either being a felon in possession of a handgun, or selling a firearm to a prohibited person. *United States v. Box et al.*

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### LEADER OF LARGE-SCALE DRUG TRAFFICKING ORGANIZATION SENTENCED TO 50 YEARS IN PRISON

Michael Anthony Clark, the leader of a Detroit-based drug trafficking organization which operated for more than 15 years, was sentenced to 50 years in prison. Clark and his drug organization were responsible for transporting more than 1,000 kilograms of marijuana, as well as cocaine, from the western United States to the Eastern District of Michigan and elsewhere for distribution. Clark was convicted of conspiracy to possess with intent to distribute both marijuana

and cocaine; continuing criminal enterprise from 1996 to September 2005; felon in possession of firearms, unlawful use of communication facilities and criminal forfeiture. Co-defendant James Jackson, who was also convicted in this case, was sentenced to 20 years in prison. Eleven other defendants involved in the drug conspiracy received sentences ranging up to 20 years. This investigation resulted in the indictment of 15 defendants and the seizure of 1200 pounds of marijuana, and approximately \$2 million dollars in cash and other assets. *United States v. Clark et al.*

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**FORMER NBA BASKETBALL PLAYER  
SENTENCED FOR HIS ROLE IN HIDING  
ASSETS OF DRUG DEALER – TWO OTHER  
BUSINESSMEN ALSO SENTENCED**

Robert Traylor was sentenced to three months in a half-way house followed by three months home confinement as special conditions of a three-year probationary sentence imposed following his guilty plea to aiding and assisting in the preparation of a false tax return. Traylor's name was used to make it appear that he had purchased two rental properties in Detroit, Michigan, when in fact, the purchases were funded and the properties owned by his cousin, Quasand Lewis. Traylor admitted that on his 2004 federal income tax return, he claimed a loss of over \$205,000 from the rental properties, which he knew to be false. Lewis was sentenced to 18 years imprisonment for his role in illegal drug trafficking after admitting that he organized the distribution of more than 10,000 kilograms of marijuana in the Detroit metro area. Traylor is the third defendant to plead guilty to concealing assets for Lewis and the conspiracy in which he was involved. Raheel "Ray" Shiekh, a Hamtramck businessman, pleaded guilty to converting over \$1.2 million in cashiers checks for the purchase



of properties in nominee names and is awaiting sentencing. Will Franklin Ulmer, a Detroit businessman, pleaded guilty to assisting Lewis and the conspirators in laundering drug proceeds and was sentenced to 24 months in prison. *United States v. Traylor*

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**LEADERS OF "BLACK FAMILY MAFIA,"  
A MULTI-MILLION DOLLAR COCAINE  
ORGANIZATION, CONVICTED ALONG  
WITH 38 OTHERS**

Terry Flenory and his brother, Demetrius Flenory, along with 38 other individuals were convicted for their roles in operating a drug organization, at some point named the "Black Mafia Family" (BMF), which dealt in multi-kilo quantities of cocaine in the Detroit metropolitan area beginning in the early 1990's. Since 2000, law enforcement officers from across the country seized over 476 kilograms of cocaine destined for distribution by this organization. To date, the United States Attorney's Office has seized over \$19 million worth of assets. The members of this organization, using the illegal proceeds of their narcotic sales, purchased and leased numerous luxury vehicles, acquired and sold real property, and purchased jewelry while concealing the true source and nature of the funds involved in the transactions through false names and nominee purchasers. *United States v. Flenory et al.*

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**NEW YORK JEWELER PLEADS GUILTY TO  
FALSIFYING RECORDS AND MAKING FALSE  
STATEMENTS**

Jacob Arabov, the owner of Jacob & Company Jewelry in New York City, pleaded guilty to falsifying records in order to obstruct a federal



drug investigation and making false statements to federal agents and the United States Attorney's Office. The evidence showed that Arabov, in an effort to assist co-defendant Terry Flenory and other members of Flenory's drug trafficking organization in concealing their ownership of a portion of \$5 million dollars worth of jewelry that had been seized, falsified documents and later submitted those documents to the Drug Enforcement Administration (DEA) and the United States Attorney's Office in support of Arabov's false claim of personal ownership for the jewelry. In a further attempt to obstruct the DEA's drug investigation of the Flenory organization and the United States Attorney's Office's administrative forfeiture of the jewelry, Arabov made false statements to federal agents and the United States Attorney's Office regarding his relationship with Terry Flenory and Flenory's true ownership of the jewelry. *United States v. Arabov et al.*

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### **PHYSICIAN PLEADS GUILTY TO UNLAWFUL DRUG DISTRIBUTION**

Dr. Larry White, a physician operating in Macomb County, pleaded guilty to charges of distributing pain medications without a legitimate medical purpose and outside the course of professional practice. Dr. White admitted to distributing the pain pill Percodan (oxycodone) to a patient with known drug seeking behavior without an appropriate inquiry to determine if the patient had a legitimate medical need for the pain medication. Evidence showed that between January 2004 and May 2006, Dr. White unlawfully prescribed over 90,000 dosage units including Oxycodone, Vicodin, Xanax, and Valium. *United States v. White.*

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### **DETROIT MAN SENTENCED TO 273 MONTHS' IMPRISONMENT FOR DISTRIBUTION OF CRACK COCAINE**

Darnell Robertson, aka Darnell Bolden, was sentenced to 273 months in prison for distributing large quantities of crack cocaine. Robertson sold 135 grams of crack cocaine to a co-defendant and had an additional two kilograms of crack cocaine ready for distribution. Prior to the instant offense, Robertson had five previous felony drug convictions. *United States v. Robertson*

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### **MAN SENTENCED TO 30 YEARS IN HEROIN- FENTANYL DEATHS**

James Edgar Coleman was sentenced to 30 years in prison as a result of his guilty plea on drug charges. Coleman sold heroin mixed



with fentanyl from a home on Keating Street in Detroit. He sold the drugs to two individuals who ingested the drug and died as a result. Coleman's guilty plea was the first to specifically address the spate of deaths from overdoses of heroin laced with fentanyl. The deaths occurred early in 2007 in Detroit and other urban areas throughout the United States. *United States v. Coleman*

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### **DRUG DEALER SENTENCED TO 270 MONTHS IN PRISON**

Damon Stephens was sentenced to 270 months in federal prison on charges of distributing cocaine and possessing crack cocaine. Stephens was convicted of trafficking in cocaine in the

Saginaw area during 2005 and 2006 and sold a quantity of cocaine to a government informant. Stephens was arrested during the execution of a search warrant at a residence in Saginaw and was found in possession of crack cocaine. The indictment arose out of an investigation by federal and state law enforcement officers into drug trafficking activities of street gangs in Saginaw, including a gang known as the Sunnyside Gang that is believed to have engaged in drug trafficking and various related acts of violence in the south side of the City of Saginaw for a number of years. *United States v. Stephens*

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**TAYLOR DOCTOR AND FLAT ROCK POLICE  
OFFICER CHARGED WITH ILLEGALLY  
DISTRIBUTING PRESCRIPTION DRUGS;  
DISTRIBUTIONS ALLEGEDLY CAUSED  
DEATHS OF TWO PATIENTS**

Dr. Paul Emerson and Flat Rock Police Officer David DeWitt, along with four other metro Detroit men, were charged with illegal distribution of highly addictive prescription drugs. Some of these illegal distributions caused the deaths of two of the doctor's patients. In addition to being charged with the patients' deaths, the indictment charges Emerson with prescribing and distributing controlled substances in exchange for cash, trade and for other consideration, and for no legitimate medical purpose, and with allowing unsupervised non-medical personnel to write prescriptions for controlled substances, and otherwise engaging in an illegal practice. The co-defendants would recruit and direct individuals posing as "patients" to Emerson's medical clinic in order to obtain prescriptions for various controlled substances. The purported "patients" would in turn fill the prescriptions at various pharmacies and deliver the controlled substances to other co-defendants who would then sell the drugs. *United States v. Emerson et al.*

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**WHITE COLLAR CRIME  
PROSECUTIONS**



*Economic Crimes Unit*

**CORPORATE FRAUD**

**FORMER OFFICERS OF LASON, INC.  
SENTENCED**

Three former officers of Lason, Inc. were sentenced for their role in a conspiracy to commit mail, wire, and bank fraud and to make false statements to the SEC. During a two-year period, William Rauwerdink, Lason's former CFO, Gary Monroe, its former Chairman and CEO, and John Messinger, its former President and COO, and others, participated in a scheme to defraud Lason's shareholders and institutional lenders. The defendants fabricated and overstated Lason's revenues and understated its expenses for the purpose of boosting Lason's reported earnings per share to meet or exceed Wall Street's quarterly earnings projections for Lason.

Rauwerdink was sentenced to 45 months' imprisonment and ordered to pay \$115 million in restitution to Lason's former shareholders and \$170 million in restitution to a bank group that served as Lason's principal lender. Monroe and Messinger were sentenced to 15 months' and 12

months' imprisonment, and both were ordered to pay \$20 million in restitution to Lason's former shareholders.

From 1996-2000, Lason was a publicly traded company headquartered in Troy, Michigan. It provided printing services, mail-processing service, and electronic information management services to hundreds of business customers located throughout the United States and other countries. *United States v. Rauwerdink et al.*

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## INVESTOR FRAUD

### **BLOOMFIELD HILLS MAN PLEADS GUILTY TO CHARGES OF TAX EVASION AND ADVANCE FEE SCHEMES ON NON-EXISTENT HIGH DOLLAR LOANS**

Samuel J. Abraham pleaded guilty to tax evasion, wire fraud, and engaging in monetary transactions in criminally derived property and was ordered to forfeit at least \$3,150,000 and other assets, including a 1996 Mercedes Benz and a 2005 Cadillac Escalade. Abraham, while doing business as the Walton Trust Ltd., was introduced to representatives of European Sea's Ltd., an Irish company, and Hallonlodge Proprietary Ltd., an Australian company, who were seeking a large credit facility for their business projects. Abraham falsely represented to them that he could secure \$10 million and \$100 million for their respective projects, in exchange for fees of \$150,000 from European Sea's Ltd. and \$3 million from Hallonlodge. Abraham provided the European Sea's and Hallonlodge representatives with counterfeit letters from officials in the Private Banking Division and Global Banking Department of Citibank, New York, confirming the availability of the \$10 million and \$100 million lines of credit. However Abraham, without

the knowledge or permission of European Sea's or Hallonlodge's representatives, instructed his attorney to commence disbursing the \$150,000 and \$3 million fees to himself and others for his own personal use, knowing that there were no monies available at Citibank for either European Sea's or Hallonlodge. Abraham attempted to lull the investors into believing that the monies would eventually come, but the bank loan, line of credit, or investment returns never materialized. Further investigation showed that since 1998 Abraham had obtained several million dollars more through his advance fee and investment schemes. For the 2000 through 2002 tax years, Abraham failed to file tax returns in spite of his substantial income from his investment fees. Abraham also acknowledged making false statements to the Internal Revenue Service in evading payment of his income tax liabilities. *United States v. Abraham*

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## WIRE FRAUD

### **WOMAN SENTENCED TO 210 MONTHS IN PRISON AND \$15 MILLION IN RESTITUTION FOR INTERNATIONAL FRAUD AND MONEY LAUNDERING SCHEME**

Ilene Ruth Moses was sentenced to 210 months in prison and ordered to pay in excess of \$15 million restitution for her conviction on various violations of federal criminal law, including wire fraud, mail fraud, bank fraud, money laundering, conspiracy to launder money, bankruptcy fraud, perjury, and making false statements to the Federal Bureau of Investigation. Moses operated a woman's clothing manufacturing and sales business in Detroit in the 1980s and was celebrated as one of the ten Michiganians of the





year by the Detroit News in 1984 for her apparent business acumen and financial success. She was also honored by the United Nations for her seeming business success. Moses, the owner of SMS, Inc. of Detroit, defrauded two banks, Michigan National Bank and Swiss Cantobank International, out of approximately \$26 million between 1983 and 1988. Afterwards, Ilene Moses lulled the banks into believing that she was the victim of the secret cartel with whom she had conducted her international business and was able to avoid the discovery of her fraud by the FBI until 1992. Moses and her co-defendants were able to persuade a Swiss auditing firm that she really had these contacts to the secret cartel and in that way convinced the auditing firm to provide confirmation of millions of dollars of business supposedly being conducted between Moses' companies and the cartel, which resulted in millions of dollars supposedly owed to Mrs. Moses' companies. These assets were then included in SMS's audited financial statements, which enabled Moses to obtain her bank loans. The fraud involved the use of a number of shell companies in Europe and Hong Kong, and a system of phony paperwork which helped make Moses' business look real to her auditors and bankers. Moses' co-defendants Wayne Carrick, Lawrence Anderson, and Kenneth Kazerski were sentenced to prison terms of 36 months, 60 months, and 18 months respectively. *United States v. Moses et al.*

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### **TWO MACOMB MEN SENTENCED FOR SCHEME TO DEFRAUD SIERRA LEONE GOVERNMENT**

Pasquale John DiPofi and Christopher Belan pleaded guilty and were sentenced to 40 months' and 15 months' imprisonment respectively on charges of wire fraud and conspiracy to commit wire fraud. In this case of international corporate ID theft, the defendants tried to assume the identity of a legitimate South African company that

was owed \$23 million by the government of Sierra Leone. DiPofi ran a private security business under the name of Executive Outcome, Inc. (EO), in Mt. Clemens, Michigan. In late 2001 EO was contacted by Audax Trading Limited, a British firm, with regard to a debt of approximately \$23 million owed by the government of Sierra Leone, Africa. In fact, Executive Outcomes South Africa (EOSA), an unrelated company, had provided military equipment, military security, and training to the government of Sierra Leone in 1995-1997, and EOSA was then making debt recovery efforts through the Sierra Leone legal system. Audax's contact with the defendants' company, EO, was a mistake due to the similarity in the companies' names. The defendants' company, EO, had no connection with EOSA and



had no claim to the debt owed by Sierra Leone to EOSA. DiPofi and Belan hired Audax as their collection agent, even though they knew that their company EO did not perform any services for the government of Sierra Leone, nor were they owed any monies for services rendered. DiPofi and Belan proceeded to create fraudulent documents which were provided to Audax and to the government of Sierra Leone to support their claim that they were the true owners of the debt. In addition, during August and September 2002, DiPofi and Belan caused threatening communications to be sent to Michael Grunberg, in Paris, who was representing the legitimate claimants to the debt. *United States v. DiPofi et al.*

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**TWO DETROIT AREA RESIDENTS INDICTED  
FOR BANK FRAUD, MONEY LAUNDERING,  
AND TAX EVASION**

William Ibianski and Robert Kolo were indicted on charges of conspiracy, bank fraud, interstate transport of securities taken by fraud, money laundering, false statements, and tax evasion. The indictment charges that from 1999 through 2004, Ibianski, the Corporate Tax Director at Copper and Brass Sales, Inc. (a unit of ThyssenKrupp Materials, NA, Inc.), engaged in a conspiracy with Kolo to steal \$1,116,102.73 from Copper and Brass. Ibianski caused Copper and Brass to issue 75 checks payable to Kolo or his company (World Class Engineered Products), when Kolo had no business relationship with Copper and Brass. The indictment alleges that the checks were a way for Ibianski to repay Kolo for loans to cover Ibianski's gambling losses. The indictment also charges the defendants with bank fraud, interstate transport of securities taken by fraud, and money laundering. Kolo is also charged with making false statements to the FBI, and Ibianski with tax evasion. *United States v. Ibianski*

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**24 CHARGED IN \$84 MILLION FRAUD  
CONCERNING SBA LOANS**

Patrick Harrington and Deborah Lazenby, along with 22 other individuals, have been charged with fraud in connection with over \$84 million in loans guaranteed by the Small Business Administration (SBA). Harrington and others conspired to fraudulently qualify loan applicants for SBA-guaranteed loans, primarily for the "purchase" of gas stations. Harrington, in conjunction with approximately five "loan brokers," fraudulently caused Business Loan Express or BLX, one of the largest lenders participating in the SBA 7(a) Loan Guaranty Program, to make as many as 91 SBA-guaranteed loans, totaling \$84,949,000. The borrowers' payment defaults have cost taxpayers approximately \$29,972,734. The loan applicants

were "qualified" for the loans by overstating or misstating the applicants'



financial and other qualifications, and by falsifying the amount of money being contributed to the small business by its owners. Harrington pleaded guilty to conspiracy and to making false declarations before the Grand Jury and will be sentenced early next year. Deborah Lazenby pleaded guilty and was sentenced to 24 months in prison and ordered to pay restitution in the amount of \$3,930,889 for her role in the fraud. Specifically, Lazenby assisted borrowers in fraudulently obtaining SBA-guaranteed loans issued by BLX and Community South Bank. Working with a loan broker, Lazenby supplied bank letters falsely verifying accounts and account balances of loan applicants. Lazenby also assisted the loan broker in "flipping" properties such as gas stations and oil changes. Lazenby allowed the loan broker to use unpaid-for Huntington National Bank official checks to purchase properties which were then quickly resold at an inflated price to persons purchasing the property with fraudulently obtained SBA-guaranteed loans originated by Business Loan Express and Community South Bank. The remaining defendants are awaiting trial. *United States v. Harrington et al.*

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**COMPUTER AND INTELLECTUAL  
PROPERTY CRIMES**

**OPERATOR OF "BOT-NET" SENTENCED TO  
12 MONTHS IN FEDERAL PRISON**

Jason Michael Downey, the operator of a "bot network" of virus-infected computers, was sentenced to a year in federal prison on his conviction for unlawful computer intrusion that caused over \$20,000 in damages to other computer networks. Downey was the owner of the Rizon.net Internet Relay Chat (or "IRC") network



and operated a network of computers infected with a virus that allowed the defendant to attack other computers by sending high volumes of data which damaged the computers by impairing the availability and operability of the systems. Downey infected a large number of computers with several kinds of "bot" viruses that launched "denial of service" attacks. Defendant created a network of up to 6,000 infected computers. His conduct caused losses in excess of \$20,000. *United States v. Downey*

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**MAN SENTENCED FOR SELLING MORE THAN  
\$ 1 MILLION WORTH OF COUNTERFEIT  
SOFTWARE ON EBAY**

James Thomas was sentenced to five months in custody and five months' home confinement for selling more than \$1 million worth of counterfeit computer software on the eBay internet auction site. Thomas purchased counterfeit Rockwell Automation computer software through the eBay internet auction site and then duplicated and resold the copyrighted software to other eBay users. Using two different eBay user names, Thomas sold counterfeit copies of Rockwell Automation software in 49 separate eBay auctions, receiving more than \$14,625. The actual retail value of this software was in excess of \$1 million. *United States v. Thomas*



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**NETWORK ENGINEER CONVICTED OF  
HACKING**

Joseph Patrick Nolan was found guilty of unlawful computer intrusion and causing system damage by destroying payroll and personnel records. Nolan was a former employee of Pentastar Aviation, LLC, a Waterford, Michigan

aviation leasing and maintenance company. Acting without authorization, Nolan gained unauthorized access to Pentastar's computer system and destroyed payroll and personnel records. Repairing the damage cost Pentastar in excess of \$50,000. Nolan is currently awaiting sentencing. *United States v. Nolan*

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**FORMER COMPUTER CONTRACTOR  
SENTENCED FOR HACKING DAIMLER  
CHRYSLER PARTS DISTRIBUTION WIRELESS  
NETWORK**

William A. Johns, a former computer contractor who did work for Daimler Chrysler, was sentenced to one year probation and 60 days' home confinement for unlawful computer intrusion into the company's wireless parts distribution network causing damage to the system. Johns entered the Daimler Chrysler Assembly plant in Sterling Heights, Michigan, and accessed a computer kiosk located in the visitor's lobby. Based on his familiarity with Daimler Chrysler's computer system, which had been gained when Johns worked for Intermec, a computer company working with Daimler Chrysler, Johns was able to enter commands from this computer terminal that caused files and passwords to be deleted from wireless devices located in remote parts distribution facilities, that is, devices located in MOPAR facilities located in Atlanta, Georgia, Portland, Oregon, and Denver, Colorado. MOPAR was the parts distribution component of Daimler Chrysler. As a result of the damage to these devices, it was necessary to remove and repair them, causing each MOPAR facility to shut down for approximately 7.5 hours, and resulting in over \$25,000 in damages to Daimler Chrysler. Johns was also ordered to pay \$29,916 in restitution. *United States v. Johns*

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## EMBEZZLEMENT

### **COMERICA BANK ASSISTANT BRANCH MANAGER PLEADS GUILTY TO EMBEZZLEMENT FROM ELDERLY AND DECEASED VICTIMS**

John J. Gdyra, a Comerica Bank personal banker and assistant branch manager, was sentenced to 41 months in prison after pleading guilty to one felony count of embezzlement by a bank employee. Gdyra, who had been employed at Comerica Bank's Warren Branch at 29100 Ryan Road, admitted that he took a total of \$360,859.04 deposited by six sets of clients. Gdyra stole the money by closing or depleting CD and IRA accounts belonging to the victims, without their knowledge, and then depositing the funds into his personal account. Gdyra attempted to conceal his fraud by forging withdrawal slips and destroying bank surveillance tapes. Each of Gdyra's victims was elderly: at the inception of the fraud, the youngest victim was 73 years old; the oldest victim was 92 years old. Gdyra also targeted couples where one spouse had recently passed away. *United States v. Gdyra*



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## HEALTH CARE FRAUD

### **OWNER OF ONE OF MICHIGAN'S LARGEST HOME HEALTH CARE COMPANIES IS SENTENCED TO 33 MONTHS IN PRISON**

Amjad Khan, a certified public accountant and chief executive officer of American Home Health Care Inc. (AAHHC) of Rochester Hills, was sentenced to 33 months in prison after pleading guilty to health care fraud and admitting the submission of fraudulent claims for non-reimbursable expenses to Medicare on

a cost report and supporting documents filed in 1998. Prior to imposing sentence, the court determined that Khan made or contributed to similar fraudulent claims in 1996 through 1999, causing Medicare to pay AHHC and a related health care company a total of over \$1 million dollars in fraudulent reimbursements. Included in these reimbursements were salary expenses for marketers that were falsely described as performing other, reimbursable work at AHHC, and the salary of Khan's spouse. *United States v. Khan*

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### **MIDLAND DOCTOR PLEADS GUILTY IN EXTENSIVE HEALTH CARE FRAUD SCHEME**

A Midland doctor pleaded guilty for billing Blue Cross Blue Shield of Michigan (BCBSM) and Medicare for medical services that were never provided. Dr. Hamid Taaid is a private physician at MidMichigan Health Rehabilitation Service, who specializes in rehabilitation medicine and pain management. In addition, Taaid billed Medicare and BCBSM for multiple and consecutive dates of service that were fraudulently generated from older patient records. Dr. Taaid is currently awaiting sentencing. *United States v. Taaid*

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### **DETROIT DOCTOR SENTENCED TO 17 YEARS ON \$ 2.5 MILLION HEALTH CARE FRAUD SCHEME**

Dr. Zack Brown, a Detroit physician, and his biller, Davell Culberson, were sentenced to 200 months and 36 months in prison, respectively, and ordered to pay \$1,130,466.55 in restitution as a result of having been found guilty by a jury on 80 counts of health care fraud, mail fraud, and conspiracy to commit both crimes. At the sentencing hearing, the district judge found that Brown and Culberson submitted more than 80,000 phony claims to Blue Cross Blue Shield

of Michigan ("BCBSM") totaling over \$2.5 million. She also ordered Brown and Culberson to pay \$1.1 million in restitution to BCBSM.

Brown and a group of eight recruiters convinced about 140 BCBSM subscribers to serve as phony patients by providing Brown with their BCBSM cards. Brown and Culberson would then submit bills electronically to BCBSM for physical therapy and injection services that were never provided to the subscribers. The subscribers would receive BCBSM benefit checks in the mail, negotiate the checks, and give most of the proceeds to Brown. BCBSM did not pay Brown directly because of questionable billing practices in the past. Culberson, who was experienced in medical billing, was paid about \$300 a day in cash by Brown to submit the fraudulent claims to BCBSM.

Brown's recruiters and several subscribers were also convicted of felonies and sentenced to varying terms of imprisonment or probation and ordered to pay restitution, while over 30 other subscribers entered into pretrial diversion agreements that required community service and restitution. *United States v. Brown et al.*



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### **FORMER HOME HEALTH CARE OWNER SENTENCED TO 31 MONTHS FOR FRAUD**

Elena Szilvagy, the former owner of one of Michigan's largest home health care companies, was sentenced to 31 months in prison as a result of her pleading guilty to defrauding Medicare. Szilvagy formed two spin-off companies as part of a scheme to avoid repaying a \$7 million debt to Medicare and conspired to obstruct a criminal health care fraud investigation. Szilvagy was the

former president of Prime Care Services (PCS), a Southfield-based home health agency with more than 400 employees. Szilvagy admitted that after auditors determined her company owed Medicare \$7 million for questionable reimbursements, she conspired with others to create two other Detroit area home health care companies, Health Care Partners (HCP) and Autumn Ridge Home Health Care (ARHHC). The plot, which Szilvagy said was designed by her professional and financial advisors, was orchestrated as part of a scheme to avoid repaying debts to Medicare run up by PCS between 1997 and 2000. By hiding her ownership role in the two spin-off companies and conspiring with the fictional "owners" of the new companies to transfer all of PCS's assets, employees, and patients to HCP and ARHHC, she was able to avoid repaying the debt. According to the indictment, co-defendant Jesse Cruz was charged with acting as the "owner" of ARHHC and making false statements in connection with Medicare claims. *United States v. Szilvagy et al.*

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### **MORTGAGE FRAUD**

#### **DEARBORN MAN SENTENCED TO NINE YEARS IN PRISON IN \$15 MILLION MORTGAGE FRAUD**

Tariq Hamad was sentenced to 110 months' imprisonment on a conviction for wire fraud based on a 3-year scheme to defraud mortgage lenders that resulted in over \$15 million in losses. Hamad, during a 2½-year period prepared fraudulent loan applications and related documents that were submitted to mortgage lenders. Many of the "borrowers" were relatives of Hamad, who did not know Hamad was using their names and other personal information. The loan packages submitted to the lenders contained bogus W-2 forms and other income documents. The loan proceeds were wired from the lenders to bank accounts controlled by Hamad that were located in metropolitan Detroit in the names of the straw



title companies. Hamad used most of the fraud proceeds in the stock market, where he lost substantial sums. Hamad's codefendant, Kalil Khalil, an accountant, also pleaded guilty to wire fraud and is awaiting sentencing for his role in the fraud. *United States v. Hamad et al.*

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### **CANTON MAN SENTENCED TO 4½ YEARS FOR MORTGAGE FRAUD**

Scott Ashley was sentenced to 56 months' imprisonment for charges related to the fraudulent procurement of \$3.8 million in mortgage and other loan proceeds and the fraudulent use of false social security numbers both in applying for the loans and in filing a bankruptcy petition. Ashley pleaded guilty to defrauding Comerica, Wells Fargo, and Huntington banks in his applications for the loans and for his fraudulent use of false social security numbers. Ashley was charged with providing false information for his bank loan applications which included supplying bogus federal tax records that falsely indicated he was earning over \$1 million a year. Actually, Ashley received Social Security disability benefits and, with his spouse, had a joint annual income of less than \$25,000. Ashley was also charged with utilizing false social security numbers not only in his loan applications, but in nine bankruptcy petitions filed between 1997 and 2006. Ashley's fraud caused the banks to ultimately lose \$1,664,580, which Ashley was ordered to repay in restitution. *United States v. Ashley*

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## **VIOLENT CRIMES**



*General Crimes Unit*

### **DETROIT MAN FOUND GUILTY OF MURDER AND BANK ROBBERY**

Earl L. Johnson, a Ford Motor Company employee, was found guilty of murder using a firearm, bank robbery, and conspiracy to commit bank robbery. During the early morning hours of December 14, 2001, Johnson and five other men robbed an armored truck delivering money to the ATM machines at the Dearborn Federal Credit Union. During the course of the robbery, armored truck guard Norman Anthony Stephens was shot in the back and killed. Johnson and his fellow robbers escaped with \$204,000 in cash. At the time, Stephens and his two fellow guards were employees of Total Armored Car Services. Stephens was married, and he and his wife had six children. Johnson is currently awaiting sentencing. *United States v. Johnson*

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### **BROWNSTOWN TOWNSHIP MAN RECEIVES 35 YEARS FOR ARMED ROBBERIES**

Douglas Kornacki was sentenced to 35 years in prison as a result of his pleading guilty to two counts of using, carrying, and discharging a short-barreled shotgun during a crime of violence. Kornacki discharged a sawed-off shotgun during



robberies at a National City Bank, a Blockbuster Video, and a CVS Pharmacy, and during a high-speed chase and shoot-out with Allen Park police in the fall of 2004. Kornacki admitted that he stole approximately \$7,000 from the National City branch in Brownstown Township and the Blockbuster Video and CVS Pharmacy stores in Taylor. Kornacki's wife, Elizabeth Kornacki, who was the getaway driver in all three robberies, pleaded guilty and was sentenced to 120 months in prison. *United States v. Kornacki*

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### **DETROIT MAN SENTENCED TO 100 MONTHS FOR KNIFE-POINT ROBBERY OF LETTER CARRIER**

Robert Owen Blount was sentenced to 100 months in prison after pleading guilty to robbery with a dangerous weapon. Blount approached a Detroit letter carrier and threatened her with a 12-inch blade butcher knife. After the letter carrier dropped the mail, Blount picked it up and attempted to flee the scene. *United States v. Blount*

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### **PROJECT SAFE NEIGHBORHOODS**

Project Safe Neighborhood is a national initiative that targets gun crime and violent offenders in an effort to make our streets and communities safer.

In 2007, there were 108 indictments and informations filed, involving 168 defendants. There were 107 cases adjudicated with 122 defendants sentenced. The average sentence in a PSN case was 71.1 months.

The following cases illustrate some of the effective results of Project Safe Neighborhoods:

### **NARCOTICS TRAFFICKER SENTENCED TO 15 YEARS IN PRISON**

Terrence Baker was sentenced to 15 years in prison as a result of his guilty plea to charges of narcotics trafficking. Baker possessed more than 121 grams of crack cocaine, more than 27 grams of cocaine, and three firearms with ammunition inside a residence he maintained and operated in Detroit. Specifically, an Izhmash 7.62 assault rifle, a Lorcin .380 caliber semi-automatic pistol, and a Starr .22 caliber pistol and ammunition. Baker possessed the firearms to protect himself and his drug business. The cocaine was packaged in separate plastic bags and stored in a drawer in the defendant's bedroom. Baker admitted to possessing the drugs with intent to distribute. *United States v. Baker*

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### **ARMED CAREER CRIMINAL SENTENCED TO 15 YEARS**

Larry Gavin was sentenced to 210 months in prison after pleading guilty to federal gun charges. Gavin was arrested by



Detroit police officers for loitering outside a known narcotics trafficking location and was found to be in possession of a 45 caliber semi-automatic handgun. Gavin has prior felony criminal convictions which include Breaking and Entering a Building with Intent, Assault with Intent to Do Great Bodily Harm Less than Murder, Receiving and Concealing Stolen Property, and Escape from Prison. His previous felony convictions required an enhancement of his federal sentence under the Armed Career Criminal Guidelines to a mandatory minimum sentence of 15 years. *United States v. Gavin*

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## **TWO PLEAD GUILTY TO MAJOR DRUG CONSPIRACY CHARGES**

Labaron Wardlaw and Nequita Jackson pleaded guilty to a drug trafficking conspiracy centered in Jackson, Michigan. The two acknowledged that from October 21, 2005, through March 24, 2006, they supplied several drug locations in Jackson, Michigan, with crack cocaine for resale to others. The conspiracy involved in excess of 1.5 kilograms of cocaine base. Both are currently awaiting sentencing. *United States v. Wardlaw et al.*

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## **SEVEN MEMBERS OF "DETROIT THUG LORDZ" PLEAD GUILTY TO DRUG CHARGES**

Seven members and associates of an armed gang in northwest Detroit known as the "Detroit Thug Lordz" or "DTL" entered guilty pleas to a variety of felony drug charges. Collectively, the seven defendants admitted to distributing crack cocaine, powder cocaine, and marijuana throughout northwest Detroit. Drug sales were accomplished through calls to pre-arranged cellular telephone numbers and deliveries with rented vehicles. *United States v. Quesada et al.*

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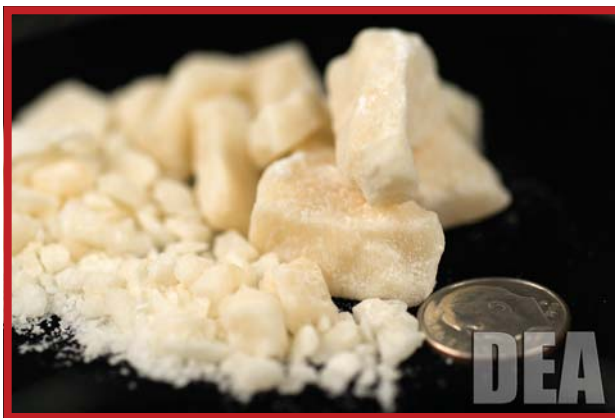
## **SEVENTEEN MEMBERS OF SAGINAW GANG INDICTED ON DRUG CHARGES**

Seventeen individuals were indicted by a federal grand jury in Bay City, Michigan, for conspiracy to distribute crack cocaine or the distribution of crack cocaine. The indictments were the result of an ATF-led investigation named

"Operation Sunset" which targeted alleged members of the "Sunnyside Gang". The six separate indictments charge that some of these individuals conspired to distribute crack cocaine in the Saginaw area, primarily in a portion of the city commonly known as the South Side or Sunnyside. The indictments also charge specific crack cocaine and marijuana distributions, as well as a gun charge. *United States v. Brazil et al.*

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## **GUN RUNNERS SENTENCED FOR UNLAWFULLY PURCHASING, RESELLING FIREARMS**



Dante L. Rison and Kermit L. Reeves were sentenced to 57 months' and 44 months' respectively after pleading guilty to charges of conspiring to obtain firearms illegally and selling them in Canada. Both men pleaded guilty to an indictment charging them with conspiring to make false statements to licensed firearms dealers during the purchase of firearms. The defendants admitted that they recruited others to purchase firearms in their own names, falsely concealing the fact that they were being paid for by, and immediately given to, Rison or Reeves. The guns involved in the straw purchases consisted of at least 45 firearms - primarily pistols. Many of the serial numbers were later obliterated. The firearms were transported to and distributed in Canada - where strict gun laws made them much more valuable than they were in the United States. At least six of these pistols were recovered by Canadian law enforcement officers during the investigation of Canadian crimes. *United States v. Rison*

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Mohsin Raza / Reuters

**FORMER COUNTY PROSECUTING  
ATTORNEYS AND POLICE CHIEF FOUND  
GUILTY OF ILLEGAL POSSESSION OF  
MACHINE GUNS AND SILENCERS**

Three defendants were convicted by a jury on various offenses arising out of their scheme to personally obtain and possess machine guns and silencers. Frederick MacKinnon, former Ogemaw County prosecutor and Gary J. Theunick, former Ogemaw County assistant prosecutor, used their positions to buy several such firearms by claiming that the purchases were being made by the prosecutor's office as a law enforcement agency rather than in their personal capacity. Maxwell Garnett was the chief of police of Rose City in Omega County. Garnett likewise claimed that the machine guns and silencers were being purchased by and for the police department when he was actually buying the firearms for himself and his associates. The defendants are currently awaiting sentencing. *United States v. Theunick et al.*

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**IMMIGRATION FRAUD CASES**

**MULTI-CONVICTED FELON SENTENCED TO  
87 MONTHS FOR UNLAWFUL RE-ENTRY  
INTO UNITED STATES AFTER DEPORTATION**

Juan Perez-Ramirez, a Mexican citizen, was sentenced to 87 months in prison after pleading guilty to the charge of unlawful reentry into the United States after deportation after an aggravated felony. Perez-Ramirez had a lengthy criminal history including assaultive crimes in the United States. *United States v. Perez-Ramirez*

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**FORMER MEMBER OF BOSNIAN SERB  
MILITARY UNIT, IMPLICATED IN BOSNIAN  
WAR CRIMES, PLEADS GUILTY TO  
IMMIGRATION FRAUD**

Nedjo Lojpur, who failed to disclose his service in a Bosnian Serb military unit that committed war crimes in the mid-1990s, was sentenced to three months imprisonment. Lojpur immigrated to the United States in 2002, but failed to disclose his military service on his refugee application. He again failed to disclose his military service in 2004, when he applied for permanent residency. As a result, he pled guilty to two counts of immigration fraud. Lojpur served in the Zvornik Infantry Brigade in the former Yugoslavia from approximately 1992 to 1995. The Zvornik Infantry Brigade is known to be responsible for various atrocities committed during the 1992-1995 conflict in Bosnia, including the murder of 3,000-4,000 Bosnian men in the UN-designated safe-area of Srebrenica in July 1995, the murder of another 500-1000 men and boys in smaller executions, and the forcible expulsion of 25,000-35,000 women, children, and elderly. When Lojpur was arrested he denied participating in any atrocities, claiming that his role in the Brigade was limited to guarding garrisons and digging trenches. He



admitted to ICE agents, however, that he was aware of murder and torture taking place. *United States v. Lojpur*

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## PROTECTING CHILDREN

### CHILD SEXUAL EXPLOITATION ON THE INTERNET

#### FLORIDA MAN SENTENCED FOR TRAVELING TO SOUTHEAST ASIA TO SEXUALLY ABUSE CHILDREN

Karl Kaechele was sentenced to 110 months in prison for traveling in interstate and foreign commerce with the intent to engage in illicit sexual conduct. Kaechele was arrested in April 2005 at the Detroit Metropolitan Airport as he was returning from a trip to Southeast Asia. The investigation into Kaechele's travel revealed that while overseas Kaechele committed sexual acts on several minors, some as young as 8 or 9 years of age. Kaechele, who frequented brothels in Vietnam, Thailand, and Cambodia, paid to have sex with both young girls and adult women. He made several trips to Southeast Asia for this purpose over several years and kept detailed notes of his sexual activity, describing the sex acts committed as well as the amount of money he paid. *United States v. Kaechele*

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#### OPERATOR OF CHILD PROSTITUTION RING SENTENCED TO 25 YEARS

Robert Lewis Young was sentenced to 25 years in federal prison for operating a prostitution ring spanning from Michigan to Hawaii. Young recruited and directed females – including minors – to engage in prostitution. Young

transported women and children and facilitated their transportation across state lines by car and airplane. Young reaped substantial financial benefit and laundered the proceeds of his illegal activities with the help of co-conspirators. Young pleaded guilty to 26 offenses including sex trafficking of children, sex trafficking by force, fraud or coercion, transportation of a minor for criminal sexual activity, transportation for prostitution, sexual exploitation of children, possession and interstate distribution of child pornography, threatening interstate communications, possession with the intent to distribute marijuana, felon in possession of a firearm, money laundering, and use of an interstate facility in aid of racketeering. Young was also convicted of producing and distributing child pornography on a website to advertise the availability of his prostitutes, including a 17-year-old-girl he exploited. *United States v. Young et al.*

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#### TWO SENTENCED FOR INTERSTATE TRANSPORTATION OF UNDERAGE FEMALES FOR PROSTITUTION



Mark Luke White and Hae Sun Kim, co-conspirators of Robert Lewis Young, were sentenced to 37 months' and 18 months' respectively for knowingly transporting females with the intent of having those females engage in prostitution. White and Kim admitted to co-owning an escort business known as "Starz Entertainment", as well as a street level prostitution business. White and Kim transported girls in their late teens and early 20s from Michigan to Hawaii to work as prostitutes. The girls were required to earn at least \$1000 each night that they worked. White's and Kim's business focused on soliciting customers on the street or through escort services operating under Starz Entertainment. If the girls failed to abide by certain rules or act in certain ways as



dictated by White, he would physically assault or verbally abuse them. *United States v. White et al.*

also produced child pornography by videotaping his own molestation of a four-year-old girl. *United States v. Garling*

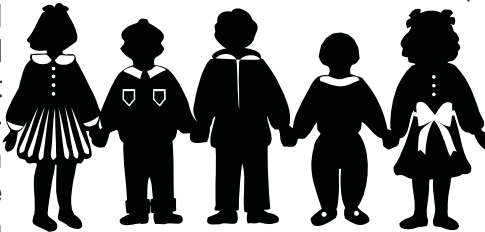
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**OHIO MAN PLEADS GUILTY TO  
TRAFFICKING IN CHILDREN FOR  
PROSTITUTION SCHEME**

**FORMER "TOYS R US" EMPLOYEE  
SENTENCED ON CHILD PORNOGRAPHY  
CHARGES TO 90 MONTHS**

James Roney, III, pleaded guilty to charges of criminal conspiracy and the sexual trafficking in children. Roney and co-defendant Donald Wayne Flint brought two victims, a 15-year-old girl and an adult woman from Cleveland, Ohio, to Detroit for the purpose of making money through prostitution and striptease dancing, and for the purpose of having sex with them. While in Detroit, defendant Roney instructed the victims that they would have to engage in commercial sexual acts for money, including sexual intercourse and oral sex. Roney further admitted to physically and sexually assaulting the minor victim. *United States v. Roney, et al.*



Scott Valla, a former employee of Toys R Us, was sentenced to 90 months in prison for possessing over 450 images and over 90 movies of child pornography. Valla admitted that he used America Online to receive and download over 450 child pornographic images and that he possessed VHS videotapes of child pornography. Valla retained all of the images and movies at his sports card shop, The Dugout, located in Marine City. Many of the children depicted in the images and movies are under age 12. *United States v. Valla*

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**CHILD PORNOGRAPHY  
MANUFACTURE, DISTRIBUTION  
AND POSSESSION**

**TWO-TIME CONVICTED SEX OFFENDER  
PLEADS GUILTY TO MANUFACTURING  
CHILD PORNOGRAPHY**

**CHILD PORNOGRAPHER SENTENCED TO  
262 MONTHS**

Lee Edwin Garling was sentenced to 262 months' imprisonment for producing and receiving child pornography. Garling became the subject of an investigation after ICE investigators learned he had used a credit card to purchase access to a website providing online child pornography to paying customers. After obtaining a search warrant, ICE agents discovered that not only had Garling collected more than 150,000 still and video images of child pornography, but he had

Kenneth Stefanski, who was twice convicted of sex crimes with children, pleaded guilty to manufacturing child pornography. Stefanski entered onto the premises of a church located in Redford, Michigan, while a church picnic was underway. While there, he approached two young girls, ages 7 and 8, who were playing in a driveway area separated from the adults and other children. Stefanski removed the 7-year-old's shorts and underwear and took pictures with a digital camera. During the execution of a search warrant in connection with a sexual assault on a 4-year-old in Garden City a few days earlier, investigators found the digital camera containing

the pornographic pictures taken in Redford. Stefanski will be facing a mandatory minimum sentence of 35 years. *United States v. Stefanski*

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**BELLEVILLE MAN PLEADS GUILTY TO  
RECEIPT OF CHILD PORNOGRAPHY  
AND BEING A FELON IN POSSESSION OF  
FIREARMS**

Gary Wetmore pleaded guilty to possessing over 10,000 images and movie files of child pornography. Wetmore, who was previously convicted on child pornography charges as well as criminal sexual conduct in the first degree, used a credit card to purchase access to child pornography websites. During a search of the defendant's residence, agents seized four computers and several storage media which contained tens of thousands of images and movie files of child pornography. The images that Wetmore possessed included minors under the age of 12 engaged in sexually explicit conduct and images that depict the children subjected to sadistic, masochistic, and other violent acts. Three firearms were also found during the search. *United States v. Wetmore*

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**MACOMB COUNTY MAN PLEADS GUILTY  
TO CHILD PORNOGRAPHY MANUFACTURE  
AND DISTRIBUTION**

Leo Joseph Rudolph pleaded guilty to manufacturing, transporting, receipt and possession of child pornography. From January until May 2007, Rudolph used, enticed, and otherwise coerced the 9-year-old daughter of his then-girlfriend to engage in sexual acts with him which were photographed and/or videotaped by him. Some of these images were later distributed on the Internet. At the time of his arrest, Rudolph was found in possession of well in excess of 600 images of child pornography which depicted real

children, including the victim, engaged in explicit sexual conduct. Rudolph downloaded much of his collection from child pornographic images and/or videos from the Internet. Rudolph is scheduled to be sentenced next year and faces a minimum of 15 years in prison and a maximum of 30 years. *United States v. Rudolph*

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**MELVINDALE MAN SENTENCED TO 151  
MONTHS FOR CHILD PORNOGRAPHY  
DISTRIBUTION AND POSSESSION**

Brian Rodden was sentenced to 151 months in federal prison for possessing and distributing child pornography. Special Agents with the Department of Homeland Security, Immigration and Customs Enforcement Division, acting undercover in Chicago, identified Rodden as a target in connection with a peer-to-peer child pornography distribution investigation. Rodden downloaded in excess of 2100 child pornographic images via computer. The images contained graphic depictions of teen and pre-teen children engaged in explicit sexual and sado-masochistic conduct. *United States v. Rodden*

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## PUBLIC CORRUPTION AND SPECIAL PROSECUTIONS



Special Prosecutions Unit

## CIVIL RIGHTS – CRIMINAL ENFORCEMENT

### RING LEADERS OF HUMAN TRAFFICKING ORGANIZATION SENTENCED TO 168 MONTHS AND 90 MONTHS

Aleksandr Maksimenko and Michael Aronov, two of nine convicted defendants, were sentenced for crimes associated with a slavery and trafficking conspiracy. Maksimenko was sentenced to 168 months in prison and over \$1.5 million in restitution and Michail Aronov was sentenced to 90 months in prison and over \$1 million in restitution. Maksimenko and Aronov were the ring-leaders of a conspiracy that forced Eastern European women to work as exotic dancers in Detroit area strip clubs. According to court papers, the defendants operated a human trafficking ring which exploited the women and used the guise of a legitimate business – Beauty Search, Inc. – to cover their criminal conduct. The defendants smuggled women into the United States and compelled them through threats and coercion to work as dancers in strip clubs. To maintain compliance, the defendants confiscated the dancers' passports; imposed large debts; enforced rules designed to isolate the dancers through interrogations, monetary penalties, physical violence and threats; searched the

dancers' apartments; and threatened to turn the dancers into authorities because of their illegal immigrant status. Eight other defendants pleaded guilty and received sentences ranging from 47 months' imprisonment to probation. Venyamin Gonikman remains a fugitive. The investigative team continues to work with Ukrainian and European law enforcement authorities to investigate the full scope of the conspiracy. *United States v. Maksimenko et al.*

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### MAN SENTENCED TO 36 MONTHS FOR CROSS BURNING

Ronald Joshua Youngblood was sentenced to 36 months in prison after pleading guilty to violating the housing rights of an African-American family by burning a cross at the family's home in Sumpter Township Michigan. The sentence arises out of an incident that occurred on June 20, 2006, when Youngblood and several friends burned a five-foot-tall cross in front of the victims' residence in an attempt to drive the victims out of their home. The defendant also set off an explosive device in order to awaken the family members so that they would run outside and see the burning cross. *United States v. Youngblood*



David Holloway/Getty Images

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### LIVONIA MAN INDICTED ON CIVIL RIGHTS VIOLATIONS FOR THREATENING AFRICAN- AMERICAN RESIDENTS

Curtis M. Gottler was indicted for hate crimes and other charges stemming from threats he made to a local couple and their real estate agent in an attempt to keep the couple from selling their home to African-Americans. The indictment charges that Gottler left a handwritten note at the couple's home indicating that he would track them down



and harm them if they sold their home to African-Americans. Gottler is also charged with sending a threatening email to the real estate agent who was representing the couple in the sale of their home. Gottler was charged with two additional counts stemming from a letter he allegedly sent to an African-American in which he threatened to harm the resident unless he left Livonia. *United States v. Gottler*

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### **THREE MEN CONVICTED AND SENTENCED FOR RACE-RELATED ARSON**

Wayland Mullins was sentenced to 17 years and 3 months in prison after he was convicted of violating the civil rights of an African-American family by attempting to burn down their house in Taylor, Michigan. Mullins and several of his neighbors gathered together and discussed burning down the home of an African-American family that had recently moved into the neighborhood. Following this conversation, Mullins broke a window in the family's home, poured in gasoline, and lit the gasoline on fire while a co-conspirator, Michael Richardson, acted as a lookout. After the fire, Mullins and Richardson attempted to obstruct a federal investigation into the arson by lying to federal investigators about their knowledge of the crime. A jury found that Mullins' actions were racially-motivated. Richardson pleaded guilty in federal court to civil rights and obstruction of justice violations in connection with this incident. A third defendant, Rick Cotton, also participated in the discussion before the fire and in the cover-up afterward. He was convicted of lying to federal investigators and a federal grand jury and obstructing justice. Cotton also pleaded guilty to conspiring with Mullins, Richardson, and others to violate the family's housing rights. Ricky Cotton was sentenced to 78 months in prison and Michael Richardson was sentenced to 96 months in prison. *United States v. Mullins et al.*

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### **CAMEROON COUPLE SENTENCED ON HUMAN TRAFFICKING CHARGES**

Evelyn and Joseph Djoumessi, both Cameroonian nationals, were sentenced to 218 months' and 60 months' respectively, for conspiracy related to their holding a young girl from Cameroon in involuntary servitude. A jury convicted Evelyn Djoumessi and a judge convicted defendant Joseph Djoumessi after the government presented evidence that between October 1996 and February 2000, the defendants forced the Cameroonian girl, whom they had brought to the United States illegally, to work against her will as a domestic servant in the Djoumessi home. The jury found that Evelyn Djoumessi forced the girl to take care of the defendants' children and perform household chores without pay. She beat her with a belt, a spoon, and a shoe in order to force compliance with these demands. The judge found that in addition to forcing her to work as a domestic servant, Joseph Djoumessi sexually abused the victim. *United States v. Djoumessi*

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### **LABOR RACKETEERING**

#### **TWO FORMER UNION OFFICIALS SENTENCED ON CHARGES OF CONSPIRACY TO VIOLATE THE TAFT-HARTLEY ACT AND CONSPIRACY TO EXTORT UNDER THE HOBBS ACT**



Donny G. Douglas and Jay D. Campbell, two former top union officers from southeastern Michigan, were sentenced to terms of probation on charges of conspiracy to demand from General Motors Corporation (GM) the authority to amend the terms of the national labor agreement between GM and the United Auto Workers (UAW) when they were not authorized to do so; and in conjunction with that, conspiracy to extort from GM skilled trades positions of employment for



two specified non-GM and non-UAW individuals whom the union officers knew were not qualified or entitled to those positions. Douglas and Campbell were sentenced to two years' probation with six months' home confinement on electronic tethers, 100 hours of community service, and a \$4,000 fine. Douglas and Campbell were found guilty, after a jury trial, of the offenses of conspiracy to violate the Taft-Hartley Act and conspiracy to extort under the Hobbs Act. *United States v. Douglas et al.*

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## ORGANIZED CRIME

### THIRTEEN INDIVIDUALS PLEAD GUILTY IN SPORTS BOOKMAKING OPERATION

Thirteen of fifteen individuals indicted for their participation in a multi-million dollar sport bookmaking operation pleaded guilty. Some were sentenced for conspiracy to commit racketeering, conducting an illegal gambling business involved in sports bookmaking, money laundering, and collection of credit by extortionate means. Between January 1998 and March 2006, two related criminal enterprises operated in the Eastern District of Michigan, the purposes of which included the management of a large-scale, ongoing sports-bookmaking operation and the collection of unlawful debts associated with that operation. In connection with these activities, the defendants committed multiple crimes, including conspiracy to conduct an illegal gambling business, laundering money in order to promote the unlawful activity and conceal the ownership of illegal proceeds, interstate travel in aid of racketeering, and unlawful collection of gambling debts through the use of express and implicit threats of violence. Sentences range from 37 months in prison to probation. One defendant was acquitted after a bench trial and another defendant's case is still pending. *United States v. Tocco et al.*

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## PUBLIC CORRUPTION

### FORMER DETROIT POLICE OFFICER SENTENCED IN FRAUD SCHEME AGAINST FAMILY OF HOMICIDE VICTIM



Lance Newman, a former Detroit Police Department homicide detective, was sentenced to 12 months plus one day in prison for defrauding the family of a murder victim. Newman pleaded guilty in April 2007 to one count of wire fraud. The charge was based on Newman's obtaining over \$12,000 from an Ann Arbor family by falsely telling the family that he had personally incurred expenses in that amount while investigating the 2005 murder of a member of their family in southwest Detroit. In particular, Newman claimed that he had been forced to spend his own money to provide housing in order to protect a witness in the murder case. The murder victim's family gave the money to Newman in the belief that he had incurred the expenses he claimed. Newman admitted at the time he pled guilty, and again during sentencing, that he had not incurred any personal expenses. *United States v. Newman*

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### FORMER WAYNE COUNTY SHERIFF'S DEPUTY SENTENCED TO 30 MONTHS FOR BRINGING DRUGS TO JAIL INMATES

Dorian Merriewether, a former Wayne County Sheriff's Deputy, was sentenced today to 30 months' probation with the first 8 months to be served under home confinement. Merriewether pleaded guilty in September to charges of conspiracy to distribute cocaine and marijuana. Between 2004 and August 2005, Merriewether used his position as a Wayne County Sheriff's

Deputy to transport and distribute cocaine and marijuana to individuals detained in the Wayne County Jail. *United States v. Merriewether*

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**DETROIT POLICE OFFICER INDICTED FOR  
STEALING COCAINE**

Vincent Crockett, an 18-year veteran of the Detroit Police Department, was indicted on charges of possession with intent to distribute six kilograms of cocaine and theft of government property. Crockett is alleged to have stolen cocaine from the property room at the Detroit Police Department in March 2007. *United States v. Crockett*

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**IMMIGRATION OFFICIAL ONE OF FIVE  
DEFENDANTS CHARGED WITH BRIBERY,  
EXTORTION, AND CONSPIRACY**



Roy Bailey, a high-ranking official with the Detroit office of the U.S. Immigration and Customs Enforcement agency ("ICE"), and four other metro-Detroit men were indicted on multiple counts of bribery, conspiracy, and extortion. The indictment

charges Bailey with misusing his position as the Assistant District Director with the former INS and, thereafter, as the Field Office Director at DHS-ICE, by accepting large sums of currency and other property in return for granting immigration benefits, including the release of several individuals who were being kept in the custody of INS and DHS-ICE. *United States v. Bailey et al.*

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**FORMER DETROIT CITY COUNCILMAN  
ALONZO BATES SENTENCED TO 33  
MONTHS ON THEFT AND FRAUD CHARGES**

Former Detroit City Councilman Alonzo Bates was sentenced to 33 months in prison for theft from the City of Detroit and bank fraud. Bates was convicted by a jury on charges that he placed ghost employees on the City's payroll. The ghost employees included Britni Barber, the daughter of Bates' girlfriend; Melvin Cartwright, the defendant's brother-in-law; and Verenda Arnold, the mother of one of Bates' children. Bates also placed Jollan Johnson on the City's payroll who cut his lawn and did odd jobs at his home and rental property. The theft involved over \$91,000 in unearned wages. Bates was further found guilty of bank fraud based on the fact that, after Johnson left Michigan for Alabama in February of 2004, the defendant cashed ten additional payroll checks in the name of Jollan Johnson by forging or causing others to forge Johnson's signature without Johnson's knowledge or consent. Bates pleaded guilty on the eve of trial to charges that he failed to file federal tax returns for tax years 2001 through 2004, as he was required to do under federal law. *United States v. Bates*

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**FORMER SCHOOL OFFICIAL PLEADS GUILTY  
TO DEFRAUDING A FEDERALLY FUNDED  
PROGRAM**

A former purchasing agent for the Chippewa Valley School District (CVSD) pleaded guilty to one count of defrauding a federally funded program. James Tague worked as the purchasing agent for the school district. Tague's duties included obtaining bids from furniture and other school equipment suppliers and awarding contracts to the lowest qualified bidder to supply items to the school district. Unbeknownst to the CVSD, Tague rigged bids and awarded contracts to Megasource, Inc., a company Tague owned and operated under that name and the assumed

names "DSC Office Products and Supplies," "Design Seating," and "Mid American School Supply." Tague, through these entities, charged the school district a markup over cost that amounted to over \$2 million. *United States v. Tague*

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### **MIAMI SURGEON PLEADS GUILTY TO CONTEMPT BASED ON FALSE TESTIMONY**

Dr. Alex Zakharia, a cardiovascular surgeon licensed in Florida and practicing in the Miami area, pled guilty to contempt of court. Dr. Zakharia admitted that in 2002 he testified as an expert witness on behalf of the plaintiff in a lawsuit charging a doctor at the Veterans Administration Hospital in Ann Arbor with medical malpractice in connection with a coronary artery bypass graft. He also admitted that during the deposition, he falsely bolstered his credibility as an expert by creating the impression that he was the lead surgeon for numerous coronary artery bypass grafts over the preceding several years, when in fact he had done no such surgeries. *United States v. Zakharia*

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### **PRESIDENT OF CEMENT COMPANY CONVICTED AND SENTENCED ON PERJURY AND OBSTRUCTION OF JUSTICE CHARGES**

Alan Pighin was sentenced to one year and a day for perjury and obstruction of justice in connection with his efforts to impede a federal grand jury investigating allegations of corruption in the City of Detroit's Department of Public Works. According to court records, a federal grand jury was investigating suspected corruption in the City of Detroit – specifically, allegations that road contractors were bribing City of Detroit

construction inspectors in connection with road and sidewalk related work performed in the city. During the course of the investigation, federal agents received information that Pighin, the president of Century Cement Company, a city contractor, paid bribes to city inspectors. Agents interviewed Pighin, who admitted that he had twice paid city inspectors to help facilitate certain city-financed construction projects. *United States v. Pighin*

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### **CAMPAIGN FINANCE LAW VIOLATIONS**

#### **ATTORNEY PLEADS GUILTY TO CAMPAIGN FINANCE LAW VIOLATION**



Dennis Johnston, a St. Clair Shores attorney, pleaded guilty to unlawfully making campaign contributions in the names of other persons. On December 10, 2001, Mr. Johnston directed another person to purchase four bank checks, each in the amount of \$2,000, knowing that the maximum amount for a contribution by a person was \$2,000. These checks were then contributed to a congressional campaign. *United States v. Johnston*

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### **ENVIRONMENTAL CRIMINAL ENFORCEMENT**

#### **DEARBORN WASTEWATER TREATMENT FACILITY AND FOUR FORMER EMPLOYEES CHARGED WITH ILLEGALLY DISCHARGING UNTREATED LIQUID WASTES**


A 12-count indictment was returned charging a Dearborn waste treatment company and three former employees with violations of the Clean



Water Act, conspiracy, making false statements, and obstruction of justice in connection with illegal discharges of untreated liquid wastes from the facility. An information and plea agreement for a fourth former employee was also filed. In 2002, Comprehensive Environmental Solutions, Inc. took over ownership and operations at the Wyoming Street facility. The facility had a permit to treat liquid waste brought to the facility through a variety of processes and then discharge it to the Detroit sanitary sewer system. The facility contained 12 large above-ground tanks capable of storing more than 10 million gallons of liquid industrial wastes. According to court records, although the facility's storage tanks were at or near capacity, the company continued to accept millions of gallons of liquid wastes which it could not adequately treat or store. The indictment alleges that, in order to reduce costs and maintain storage space at the facility for additional wastes, the defendants often bypassed treatment processes and discharged untreated wastes directly to the sewer, in violation of the Clean Water Act and Detroit city ordinance requirements, and made false statements and engaged in other surreptitious activities in order to conceal their misconduct. This case is set for trial in early 2008. *United States v. Comprehensive Environmental Solutions, et al.*

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#### **MIO RESIDENT SENTENCED TO 37 MONTHS FOR MULTIPLE ARSONS IN HURON MANISTEE NATIONAL FOREST**

 James Earl Sherwood was sentenced to 37 months in prison followed by three years supervised release and ordered to pay restitution in the amount of \$418,475 as a result of his pleading guilty to multiple counts of arson in the Huron-Manistee National Forest. Sherwood pleaded guilty to setting fires on various dates in 2001, 2002, 2003, and 2004, creating both a risk of death or serious

injury to others, and causing damages and loss. Sherwood admitted to making delayed ignition devices and using the devices to start fires in the forest. The judge who sentenced Sherwood noted that it was only by luck that no one was killed as a result of the 40-plus fires started by the defendant. *United States v. Sherwood*

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#### **CHEBOYGAN MARINER INDICTED FOR SINKING BOAT IN NAVIGABLE CHANNEL**

Wayne T. Duffiney was indicted on four charges stemming from his deliberate actions which caused the sinking of a boat. The indictment alleges that Duffiney caused and permitted the destruction and injury of his boat, the Misty Morning, in the territorial waters of the United States, i.e. Lake Huron and the Cheboygan River, and further violated the federal Clean Water Act by discharging pollutants into the navigable waters of the United States. In addition, Duffiney sank the Misty Morning in the navigable channels of Lake Huron and failed to mark the sunken vessel with navigation aids. *United States v. Duffiney*

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#### **THEFT FROM LABOR UNIONS**

##### **FORMER CWA OFFICER SENTENCED FOR MAKING FALSE ENTRIES IN LABOR UNION FINANCIAL RECORDS**

Tammara Schultz, a former secretary-treasurer of Communications Workers of America Local 4101 in Bay City, was sentenced to two years' probation, including six months of home confinement, for making false entries in Local 4101 financial records in order to conceal her embezzlement of about \$22,500. Ms. Schultz pleaded guilty to one count of making false entries in Local 4101 financial records. She admitted that between February 2003 and January 2006, while she was secretary-treasurer, she falsified



the financial records to conceal unauthorized ATM cash withdrawals from Local 4101's bank account, unauthorized personal charges on the Local 4101 credit card, and Local 4101 checks issued to herself and to a third party on her behalf. The total amount of funds that were misappropriated was \$22,499.93. *United States v. Schultz*

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### **FORMER LABOR UNION PRESIDENT PLEADS GUILTY TO MAKING FALSE ENTRIES IN FINANCIAL RECORDS**

Claudia R. Thompson, the former president of a local labor union, pleaded guilty to making false entries in labor union financial records. Thompson was the former president of PACE (now Steelworkers) Local 513, which represents employees of Ypsilanti-based Marsh Plating, Inc., and Finishing Systems, Inc. Thompson admitted that she falsified Local 513 financial records to conceal her embezzlement of more than \$26,000 during the period from June 2004 to August 2005. *United States v. Thompson*

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### **FORMER FINANCIAL SECRETARY FOR LABOR UNION SENTENCED FOR MAKING FALSE STATEMENTS IN UNION FINANCIAL REPORTS**

Willie Haynes, the former financial secretary of United Auto Workers Local 362, which represents employees of Bay City-based General Motors Corporation Powertrain Division, was sentenced to a 12-month period of probation and ordered to pay a fine of \$2,000 for making false statements in labor union financial reports. Haynes pleaded guilty to submitting false statements relating to the amount of time he lost from his regular employment due to union work he did for Local 362. Haynes was entitled to be paid by the union for non-union work. At the

time of his plea, Haynes admitted that he falsified Local 362 annual financial reports for fiscal years 2001 through 2003. As a result of the conviction, Haynes is barred from being a union official in the future. *United States v. Haynes*

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### **FORMER LABOR UNION PRESIDENT PLEADS GUILTY TO THEFT**

Darren Johnson, a former President of the National Treasury Employees Union, Chapter 78, pleaded guilty to theft of union funds. Between 2002 and 2004, while Johnson was the President of Chapter 78, he embezzled over \$13,000 by making unauthorized ATM cash withdrawals from the Chapter's checking account and, additionally, by writing and cashing unauthorized union checks. Under the terms of the plea agreement, Johnson faces up to six months' imprisonment and a fine of up to \$20,000. Johnson will also be required to make full restitution. *United States v. Johnson*

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## CIVIL DIVISION CASES DEFENSIVE LITIGATION



Civil - Defensive Litigation Unit

### U.S. WINS SUIT ALLOWING ARMY CORPS OF ENGINEERS TO PROCEED WITH CONSTRUCTION OF UPPER SAGINAW RIVER DISPOSAL FACILITY

Two environmental groups brought an action against the U.S. Army Corps of Engineers under the National Environmental Policy Act (NEPA) to stop construction and use of a dredge material disposal facility for sediment dredged from the Upper Saginaw River. They alleged that the Corps of Engineers had not conducted a sufficient environmental impact assessment before beginning construction of the facility. The case was important to the Saginaw-Bay City area because, without the dredging, businesses such as Dow Chemical who rely on shipping would be adversely affected. No dredging could commence until the disposal facility was completed. Judge Ludington granted summary judgment in favor of the Corps, finding that its environmental impact study and assessment had complied with NEPA's requirements. *Lone Tree Council v. U.S. Army Corps of Engineers*

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### COURT DISMISSES CHALLENGE TO DOJ INVESTIGATION OF POSSIBLE FEDERAL ELECTION CAMPAIGN ACT VIOLATIONS

This civil action, brought by an attorney, his law firm, and his office manager challenged a grand jury investigation into possible violations of the Federal Election Campaign Act. Plaintiffs sought a judgment declaring that the investigation was illegal on grounds that the Federal Election Commission (FEC) has exclusive authority to perform any type of investigation in the first instance, and that DOJ is precluded from proceeding unless and until it receives a referral from the FEC. Judge Zatkoff granted the government's motion to dismiss. He ruled that the FEC has exclusive jurisdiction only for purposes of enforcement of civil provisions of the Federal Election Campaign Act, but that DOJ may initiate a criminal investigation or prosecution at any time, whether or not there was a prior referral from the FEC. *Fieger v. Gonzales*

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### LIVONIA APARTMENT COMPLEX REQUIRED TO PAY RECORD SETTLEMENT FOR RACIAL DISCRIMINATION IN CASE BROUGHT FOR VIOLATION OF FAIR HOUSING ACT

Action was brought under the Fair Housing Act against the owner and manager of a 273-unit apartment complex in Livonia for discrimination against African-Americans in rental of apartments. The case followed an investigation by a local fair housing center where black and white test subjects posing as apartment hunters were treated differently: white testers were told apartments were available while black testers were told they were not, or black testers were told a \$325 deposit was required to receive a rental application form while no deposit was required from white testers. The case was consolidated with an early case brought by the



Fair Housing Center and was settled under terms where the owner of the complex was required to pay \$725,000 in damages and penalties. Of this amount, \$330,000 was paid to 21 applicants turned down as tenants because of their race since 2000. This was the state's largest known settlement for racial housing discrimination. *United States v. Whispering Woods Complex (a/k/a Apple Ridge Apts.)*

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### **STERLING HEIGHTS HOUSING COMPLEX AGREES TO INVEST OVER \$800,000 TO MAKE BUILDINGS ACCESSIBLE FOR DISABLED**

Action was brought under the Fair Housing Act and Americans with Disabilities Act, and resulted in a favorable settlement. It involved 70 apartment and condo units at a large apartment complex in Sterling Heights that was not wheelchair accessible. As a result of the investigation, the owner and architect spent approximately \$800,000 to build ramps and correct other deficiencies. Under the terms of the settlement agreement, the owner expended an additional \$96,000 for retrofits and paid a penalty of \$25,000. *United States v. Palazzolo (a/k/a "The Preserves")*

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### **CHALLENGE TO TSA SCREENING PROCEDURES DISMISSED**



Transportation Security  
Administration

A Bivens action was brought against various TSA employees at Metro Airport by a mother and daughter who claimed that TSA screening procedures violated their constitutional rights. They claimed that their religious beliefs prevented them from being touched by "sexual deviants." They argued that the constitution requires TSA screeners to tell them whether they

are heterosexual or homosexual before touching them during the screening process. Judge Lawson rejected their argument and granted the TSA employees' motion to dismiss. *Donkers v. Various TSA Employees*

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### **U.S. CLEAN WATER ACT ACTION HALTS ILLEGAL CONTAMINATION CAUSED BY FUEL LEAK**

A gas station in Luna Pier developed a sizeable diesel fuel leak in a connector to its underground storage tank. The leaked fuel polluted the soil and migrated onto adjoining property and into Lake Erie. EPA unsuccessfully attempted to have the owner correct the problem himself, and the owner refused to allow the EPA to enter the premises and take corrective measures. EPA referred the matter to the U.S. Attorney's Office, which applied for and obtained a warrant under the Clean Water Act from Judge Zatkoff allowing EPA to enter the premises and take action to prevent further leakage of one fuel. EPA immediately entered the premises and took action to contain the contamination. *In Re Luna Pier Fuel Stop*

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### **VETERANS ADMINISTRATION EMPLOYMENT ACTION AFFIRMED BY SIXTH CIRCUIT IN RACIAL DISCRIMINATION CASE**

The Sixth Circuit affirmed the grant of summary judgment in this employment discrimination case brought by a VA employee who was denied a promotion to a higher-level position. The district court granted summary judgment even though the plaintiff offered testimony by a high-level VA official stating that the selecting official was racist. The Sixth Circuit held that a conclusory statement such as this is insufficient to defeat



summary judgment unless the plaintiff offers specific evidence supporting the bald allegation of racism. *Burke-Johnson v. VA*

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## CIVIL DIVISION CASES AFFIRMATIVE LITIGATION



Civil - Affirmative Litigation Unit

## ASSET FORFEITURE UNIT

### "BLACK FAMILY MAFIA" CONVICTIONS RESULT IN \$ 18 MILLION FORFEITURE

Terry Flenory et al, was a 41-defendant OCDETF case that involved extensive investigations led by DEA and IRS. The defendants were charged with cocaine trafficking and money laundering in at least eight states including Michigan, Texas, California, Georgia, Missouri, Florida, Tennessee, and Alabama. Thirty-eight defendants pled guilty; two were convicted at trial; one remains a fugitive. The organization, self-named the Black Mafia Family, distributed multi-kilogram quantities of cocaine since the late 1990s, using vehicles that had built-in hidden compartments to transport cocaine and its proceeds. Approximately \$18 million in assets were seized for forfeiture, resulting in the case receiving an OCDETF Forfeiture Case of the Year Award for 2007. *United States v. Terry Flenory, et al.*

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### \$ 18 MILLION IN QUASAND LEWIS FORFEITURE FUNDS SHARED WITH STATE AND LOCAL LAW ENFORCEMENT



In January 2007, a Third Superseding Indictment was unsealed in the Quasand Lewis marijuana trafficking conspiracy case, charging eight new defendants with narcotics and money laundering offenses. Six of the eight new defendants pled guilty in 2007 and are awaiting sentencing. Four of the defendants originally charged in the First Superseding Indictment - Israel Corral, Giovanni Ruanova, Walter Arlequin-Sanchez, and Annette Sanchez - remain fugitives and were featured on the November 3, 2007 episode of "America's Most Wanted." At the request of the government, the court entered criminal forfeiture orders with respect to four defendants in 2007, causing an additional \$20,000 and 12 firearms to be forfeited to the United States. This brings the total forfeitures in the Quasand Lewis case to more than \$18 million dollars in cash, jewelry, vehicles, and real property, as well as the forfeiture and destruction of more than 35 firearms seized during the execution of search warrants. Eighty percent of the value of the forfeited assets was equitably shared with state and local law enforcement agencies who participated in the overall investigation and prosecution of the case. *United States v. Quasand Daniell Lewis*

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### U.S. SEEKS TO AWARD OVER \$ 550,000 IN FORFEITURE FUNDS TO FORCED LABOR VICTIMS

Parallel civil and criminal proceedings (U.S. v. Aronov, Maksimenko, et al, and U.S. v. \$888.00, et al.) involving the forced labor and earnings of Ukrainian women working as strippers at local clubs were favorably resolved. The judgments entered against Aleksandr Maksimenko and

Michail Aronov in July and August 2007, ordered restitution of \$1,570,450 and \$1,018,450, respectively, and provided for forfeiture money judgments of \$957,050 and \$641,550. A petition for restoration was filed by this office seeking AFMLS' approval to apply \$537,043.84 and jewelry worth approximately \$30,000 toward restitution to the forced labor victims. If restoration is not granted, the victims would still be able to file individual petitions for remission to access the forfeited assets. *United States v. Maksimenko et al.*

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### **RICO CONVICTIONS YIELD OVER \$ 3 MILLION IN FORFEITURE**

In U.S. v. Peter Dominic Tocco, et al, five of the six defendants charged under RICO statutes were sentenced this past year and ordered, jointly and severally, to pay a \$3 million dollar money judgment to the United States. The first three defendants were also ordered to pay sums to the government in lieu of the forfeiture of their interests in their residences. In addition, approximately \$100,000 in account proceeds and proceeds from the sale of cars from two civil cases involving Peter Messina were forfeited and applied to the money judgment. *United States v. Tocco et al.*

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### **OVER \$ 95,000 IN CURRENCY AND TRACTOR TRAILER FORFEITED IN DRUG TRAFFICKING CASE**

A money judgment of \$572,866 was entered at sentencing based on the defendant's unexplained income from the use of his tractor trailers to haul narcotics. \$136,637 in seized currency and proceeds from the sale of automobiles were forfeited in a companion civil case and applied to reduce the money judgment. In addition, a

tractor trailer was recently seized for forfeiture as a substitute asset. The defendant is currently a fugitive. *United States v. Satterfield*

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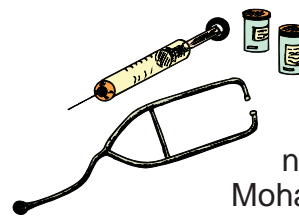
### **DEFENDANT FORFEITS OVER \$ 151,000 FOR OPERATING AN UNLICENSED MONEY TRANSACTION BUSINESS**

Samir Nasser pleaded guilty to one count of conducting an unlicensed money transmitting business in violation of 18 U.S.C. §1960(a). Subsection (b) of Section 1960 requires that all money transmitting businesses register with the Secretary of the Treasury. Nasser also stipulated to entry of a consent judgment in a related civil forfeiture case, wherein he agreed to forfeit approximately \$151,000. *United States v. Nasser*

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### **HEALTH CARE FRAUD**

#### **Ciena Health Care Officers Pay \$ 1,250,000 TO SETTLE MEDICAID/ MEDICARE BILLING FRAUD**



Ciena Healthcare Management, Inc., a corporation that manages thirty long-term care/skilled nursing facilities, its owner, Mohammad Qazi, its Chief Financial Officer, Anis Khan, and Denise Mahnke-Pugh, Ciena's Chief Operating Officer, have paid \$1,250,000 to settle allegations that they improperly billed Medicaid and Medicare for inadequate care of, and services to, residents at four of its metro Detroit nursing homes. Several of the Ciena facilities failed to meet the needs of residents in: (1) nutrition and hydration, (2) the assessment and evaluation of needs, (3)

care planning and nursing interventions, (4) medication management, (5) fall prevention, and (6) pressure ulcer care, including the prevention and treatment of wounds. The defendants collectively entered into a five-year corporate integrity agreement, at an estimated cost of \$2.5 million, that requires the company to undertake certain measures to promote compliance with the requirements of Medicare, Medicaid, and all other Federal health care programs in each of the thirty Ciena managed facilities. *U.S. ex rel. v. Ciena Healthcare Management, et al.*

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#### **PHARMACIES PAY \$ 260,000 FOR CONTROLLED SUBSTANCE RECORD KEEPING VIOLATIONS**

Dexter Pharmacy, Dexter 2 Pharmacy, Village Pharmacy, and Bailes Pharmacy were sued for violating the Controlled Substance Act by failing to properly file loss and theft reports with the DEA and failing to properly complete and maintain records for the purchase of controlled substances. Defendants settled the matter for \$260,000, which is a record DEA diversion settlement. *In the matter of Village Pharmacy, Dexter Pharmacy, et al.*

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#### **HOME CARE AGENCY SETTLES FOR DOUBLE DAMAGES IN BILLING FRAUD CASE**

Alliance of Home Care Physicians and Dr. Barnett paid the United States a \$178,466 settlement for billing home visits actually made by physician assistants as physicians' visits in violation of the Medicare rules. This payment amounts to double damages. *In the matter of Alliance of Home Care Physicians*

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#### **AFFIRMATIVE CIVIL ENFORCEMENT/CIVIL FRAUD**

#### **FALSE BILLINGS FOR WORK AT DETROIT METRO AIRPORT RESULT IN \$ 1.5 MILLION PLUS SETTLEMENT**

Frank Vallecorsa agreed to pay the United States \$1,571,448, to settle allegations that, from 1993 through 1999, through American International, Inc., he falsely billed the Federal Aviation Administration for work related to airfield lighting and signage at Detroit Metropolitan Airport. In addition, Vallecorsa and co-defendant Wilbourne A. Kelley, III, both agreed to lifetime

debarments from participation in any Federal Government program contracts. As such, Vallecorsa and Kelley are excluded from participating in Federal procurement and grant fund transactions for the duration of their lives. Previously, as part of his criminal conviction and judgment, Kelley was ordered to pay the United States \$1,134,066, in restitution for his role in the improper billings to the FAA. *U.S. ex rel. v.*

*American International, Inc., Frank Vallecorsa, et al.*

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#### **CONSTRUCTION COMPANIES AGREE TO \$ 11,750,000 SETTLEMENT IN FALSE CLAIMS ACT CASE**

Ajax Paving Industries Inc. and Dan's Excavating Inc. paid the United States \$11,750,000 to settle False Claims Act and administrative claims involving alleged misrepresentations about the amount of Disadvantage Business Enterprise ("DBE") contracting work performed by a concrete-supply DBE, Borbolla Construction & Concrete





Supply, Inc. Ajax and Dan's acted as prime contractors on three federally funded construction contracts at the Detroit Airport. Under these contracts, Ajax and Dan's were required to comply with the Department of Transportation's DBE regulations and accurately report their DBE contracting to obtain and maintain the construction

contracts. The companies claimed Borbolla Construction performed substantial work on the contracts when the government alleged that Borbolla Construction merely acted as a pass-thru entity and performed little more than minor administrative tasks. The \$11,750,000 settlement amounts to over two times the profits realized by Dan's and Ajax on all the projects at issue. It is the largest DOT settlement nationwide on a DBE issue. *In the matter of Dan's Excavating and AJAX Construction*

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### THOMPSON-MCCULLY SETTLES IN HIGHWAY PROJECT CASE

Thompson-McCully paid \$595,957 and agreed to repave parts of M-57, worth in excess of \$500,000, in order to settle allegations that an employee falsified bituminous testing results in order for Thompson-McCully to be paid quality incentives. *In the matter of Thompson-McCully*

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### VICTIM AND WITNESS SERVICES

The United States Attorney's Office for the Eastern District of Michigan is committed to the protection of the rights of crime victims and witnesses and ensures that they are treated with dignity and respect.

This has been accomplished through our Victim-Witness Program. This program assists eligible federal crime victims and witnesses with the following:

- Provides information about the status of the case;
- Provides referrals for victims to crisis intervention, counseling, and other assistance services;
- Provides information on victim compensation to victims of violent crime;
- Provides information about submitting written or oral victim impact statements at the time of a defendant's sentencing;
- Accompanies victims to court for trial and sentencing;
- Registers victims with the Victim Notification System database and provides notification;
- Provides logistical information and assistance to witnesses with respect to directions, transportation, parking, witness fees, and travel reimbursement (assistance with airline and lodging arrangements is provided for out-of-state witnesses); and,
- Provides notification, upon request, to the employer of the victim/witness if cooperation in the prosecution of the crime causes absence from work.

The program also provides training in victims issues to federal, state, and local service providers. The training included courses on the new Justice For All Act, drug-endangered children, Native American victim issues, and Internet child exploitation. The Victim-Witness Program Coordinator, Sandra Palazzolo, can be contacted at 313-226-9100 for assistance.

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## **GREAT LAKES NATIVE AMERICAN CONFERENCE**

On August 27-29, 2007, the districts of Michigan, Minnesota, and Wisconsin sponsored the Fourteenth Annual Great Lakes Native American Conference at the Ho-Chunk Hotel and Convention Center, Baraboo, WI. The theme of this year's conference was "A Circle of Hope - A Circle of Healing," which was chosen to represent the circle of life or the sacred hoop.

The purpose of the conference was to educate participants of victims' rights and crime victimization, with an emphasis on traditional Native American healing and child/young adult victimization. Our goal was for participants to share the information and resources with co-workers, family members, and tribal members, which in turn would enhance services within their respective communities.



The conference hosted 207 participants. Fifty-nine scholarships were awarded with funding provided by the Office for Victims of Crime.

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## **COMMUNITY AND LAW ENFORCEMENT PARTNERSHIP INITIATIVES**

### **LAW ENFORCEMENT AND COMMUNITY COORDINATION AND OUTREACH**

The U.S. Attorney's Office promotes law enforcement and community outreach efforts include several programs. The majority of these efforts are overseen by Law Enforcement

Coordination Specialist, Robert Poikey. He is responsible for coordinating and facilitating training for local, state, and federal law enforcement and community agencies throughout the year. In addition to training, he oversees the day-to-day operations of the Project Safe Neighborhood Program throughout the district, Weed and Seed, DEFY, Prison Re-entry, Law Enforcement Coordination Committee, and BRIDGES. He also assists with Project Safe Childhood as well as the Anti-Terrorism Advisory Council. These programs are described in detail below. Mr. Poikey can be reached at 313-226-9120.

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## **LAW ENFORCEMENT COORDINATING COMMITTEE**

The Law Enforcement Coordinating Committee (LECC) provides an informational network for law enforcement managers and executives committed to the ideal of cooperation and coordination at all levels of local, state, and federal law enforcement.



The LECC of the Eastern District of Michigan sponsors or co-sponsors no or low-cost training seminars addressing the professional needs of more than 100 local and state law enforcement agencies. The program has become the cornerstone of joint federal, state, and local law enforcement efforts.

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## **PROJECT SAFE NEIGHBORHOODS**

On May 14, 2001, President George W. Bush announced the implementation of Project Safe Neighborhoods, a national initiative that targets gun crime and violent offenders in an effort to make our streets and communities safer. Despite an overall decline in the number of gun

homicides during the last 15 years, the incidence of gun violence remains intolerably high. Our nation's violent crime rate is among the highest in the industrialized world; our teenagers are more likely to die from a gunshot than from all natural causes of death combined.

Project Safe Neighborhoods seeks to address the problem of gun violence by establishing partnerships between federal, state, and local law enforcement authorities as well as partnerships with community and faith-based groups. The United States Attorney has been charged with the responsibility for bringing together the law enforcement agencies and the community to ensure a uniform and comprehensive approach to reduce gun violence. Project Safe Neighborhoods has three components: 1) enforcement, 2) prevention, and 3) public awareness/community outreach.

In 2007, Project Safe Neighborhoods - Operation TIDE (Tactical Intelligence Driven Enforcement) received recognition as a National PSN Best Practice strategy. The task force also received national recognition for best overall collaboration by a task force. This approach focuses upon a concentrated, multi-agency strategic effort to address gun violence in this community utilizing law enforcement, prosecutorial, and community-based partners.

Operation TIDE involves ten agencies from the federal, state, and local law enforcement and prosecutorial level. This is an unprecedented program that includes the U.S. Attorney's Office, Bureau of Alcohol, Tobacco, Firearms & Explosives, Federal Bureau of Investigations, U. S. Marshals Service, U. S. Drug Enforcement Administration, High Intensity Drug Trafficking Administration, Michigan Department of Corrections, Michigan State Police, and the Wayne County Sheriff's Office, Wayne County Prosecutor's Office, Detroit Police and Detroit Public School Security. The program is intended to identify and crack down on the worst criminals,

firearm and illegal gang activity, educate youth and enhance re-entry service within the district's four major cities.

Currently, the program has been expanded to include the eastern district of the city of Detroit. In 2007, our office was awarded over a million dollars to develop the PSN programs for the cities of Flint, Saginaw, and Jackson, based on the TIDE model.

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## **PROJECT SAFE CHILDHOOD**

In response to the troubling trend of computer-facilitated sexual exploitation crimes committed against children together with Project



Safe Childhood (PSC), the Eastern District of Michigan established a Child Protection Initiative to ensure that we are doing everything we can to protect and take care of our district's children.

Child pornography, human trafficking, interstate transportation of minors for the purpose of engaging in sex and other sorts of predatory activity upon children are all federal offenses targeted by this initiative. The office has successfully charged and convicted a disturbingly high – and increasing number of criminal defendants in the past year who have engaged in acts of criminality that endanger the safety and innocence of our community's most precious asset: our children.

This initiative also includes an Internet and Safety Awareness Program. In 2007, our office provided several educational forums to communities within our districts. Our office hosted town hall meetings for parents, teachers, child



protection workers, and community leaders on "Child Exploitation, Prevention and Enforcement". These events included a panel of speakers from the Federal Bureau of Investigation, the U.S. Attorney's Office, the County Prosecuting Attorney's Office, and the Child Exploitation and Obscenity Section of the Criminal Division, Department of Justice. The goal was to increase community awareness and educate the public about the dangers facing children from sexual exploitation and abuse facilitated by technology. In 2007, a training was coordinated by our office for law enforcement and prosecutors that drew attendance from several agencies throughout the rural and urban areas within our District.

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### **OPERATION "WEED AND SEED"**

In 2007, the Eastern District of Michigan was a chosen to host the 2007 National Weed and Seed Conference. The conference played host to nearly 2000 participants over a four day period in August.

Operation Weed and Seed is a community development initiative of the Department of Justice that is coordinated in the Eastern District of Michigan by our Law Enforcement Coordination Specialist. Weed and Seed uses a community-driven strategy which seeks to "weed" out crime and "seed" in needed resources designed to strengthen the community, its residences, and businesses. There are currently seven Weed and Seed sites in the Eastern District of Michigan that have proven to be a valuable asset to the district. The sites are located in the east, west, and northwest areas of Detroit, as well as the cities of Inkster, Highland Park, and Flint.

Six of the Weed and Seed sites continue to be officially recognized and funded by the Department of Justice. The seventh has gained "graduated site status" and is sustained without funding from CCDO. The sites assist the U.S.



Attorney's Office by fostering relationships between local residents, neighborhoods, and businesses along with federal, state, and local law enforcement. These relationships have proven to be key in assisting the office with community outreach efforts as well as re-entry activities for returning citizens.

In 2007, Law Enforcement Coordination Specialist Robert Poikey received the 2007 National Director's Award from the Community Capacity Development office for outstanding contributions to the mission and goals of the weed and seed initiative.

The sites continue their two-prong strategy. This strategy includes working with law enforcement within their respective sites to weed out violent firearm and drug offenders. At the same time, working with local businesses, churches, and schools to seed in human service programs for the site population as well as prisoner re-entry.

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## **DEFY (DRUG EDUCATION FOR YOUTH) CAMP**



The office launched its first DEFY (Drug Education For Youth) Camp in the summer of 1997. DEFY is a drug education and personal development program for youth which is being implemented across the country by Weed and Seed sites. The DEFY program is designed to expose the youth participants to a structured and disciplined environment. Phase I of the DEFY program consists of a five-day nonresidential camp at neighboring Selfridge Air National Guard Base. This year more than 200 youths participated in the camp, ranging in ages from 10 through 12, from August 6 - 12, 2007. Young people living on the base with their families also participated daily in the DEFY activities. The DEFY curriculum consists of information related to the dangers of drugs and gun violence. Recreational activities including swimming, bowling, fishing, boating, and aerobics are provided daily. The curriculum is presented by local, state, and federal law enforcement agencies and the Weed and Seed. Additionally, the youth are in the daily care of mentors and group leaders composed of active duty and reserve military personnel, military spouses, base youth services personnel, and a host of other volunteers. DEFY celebrated its 11-year anniversary in 2007. The camp is coordinated and directed by Inkster Weed and Seed Director Jeannie Fields with the assistance of AUSA Nancy Abraham and LECS Robert Poikey. In 2007, the district's DEFY program was nationally recognized for hosting DEFY for over ten years.

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## **ANTI-TERRORISM ADVISORY COUNCIL (ATAC)**

### **Anti-Terrorism Advisory Council (ATAC)**

As part of U.S. Attorney's Office's mission to disrupt and prevent terrorism, the United States Attorney chairs the district's Anti-Terrorism Advisory Council (ATAC). The ATAC, which comprises members of federal, state, and local law enforcement agencies, emergency responders, the medical and public health communities, and the private sector, is designed to make the district a seamless collaboration of all of the agencies working to prevent terrorism. The ATAC meets quarterly to bring all of our partner agencies together and facilitates information sharing on a daily basis. The ATAC provides guidance on criminal trends and developments in the law, initiates training opportunities, and coordinates special counter-terrorism projects, such as improving communication capabilities and preparing for large scale events such as the Major League Baseball All-Star Game, the Super Bowl, the World Series, and the International Auto Show. As a result of the coordination developed through the ATAC, some successful counter-terrorism prosecutions have begun with information provided by one of our partner agencies.

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## **BRIDGES**

The United States Attorney's Office LECC Coordinator also participates in "BRIDGES" ("Building Respect in Diverse Groups to Enhance Sensitivity"), a successful partnership between federal law enforcement agencies and leaders in the Arab-American and Middle Eastern communities in the Metro Detroit region. BRIDGES is the outgrowth of an alliance formed shortly after 9/11 to address the potential for backlash against the local Arab-American and

Middle Eastern communities. From this alliance evolved BRIDGES, which now meets on a regular basis to provide a forum to address issues of mutual concern and to foster better understanding. BRIDGES addresses issues such as the Iraqi out-of-country voting held in the Eastern District of Michigan, border crossings, no-fly lists, cultural sensitivity, hate crimes, law enforcement policies and procedures, and immigration.

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**ADVOCATES AND LEADERS FOR  
POLICE AND COMMUNITY TRUST  
(ALPACT)**

Our community outreach efforts include our continuing leadership role in Advocates and Leaders for Police and Community Trust (ALPACT), a coalition of law enforcement and community advocacy groups that meets monthly to discuss issues of mutual concern, including racial profiling, post 9/11 discriminatory backlash issues, and more. This year, ALPACT has held important training and discussions related to use of force decision-making, the use of TASERS by law enforcement, diversity, and the rise in hate crimes in southeast Michigan.



*Special Events and Community Outreach 2007*



*US Attorney Stephen Murphy welcomes Chris Ilitch with Assistant US Attorneys Leslie Wizner, Jackie Hotz, Julia Pidgeon and Jim WoucZYna.*



*US Attorney Stephen Murphy at dinner for former Attorney General Alberto Gonzales.*



*US Attorney Chuck Rosenberg, Eastern District of Virginia delivers a presentation on the Moussaoui case.*



*US Attorney Stephen Murphy with former AUSA Mike Lavoie and Pontiac Central High School students at Gettysburg Leadership Forum.*



*Swearing in of AUSA Erin Shaw with Judge Gerald E. Rosen and U.S. Attorney Murphy*



*Prosecutors from Kosovo visit the US Attorney's office.*



*Swearing in of AUSAs Linda Aouate and Philip Ross, with Chief Judge Bernard A. Friedman and U.S. Attorney Murphy*



*Swearing in of AUSA Steven Cares with Chief Judge Bernard A. Friedman and U.S. Attorney Murphy*